# UBUNTU
## MUNICIPALITY

# Ubuntu Municipality

*menswaardigheid - hoop - erfenis*
*ubuntu - ithemba - izithethe*
*humanity - hope - heritage*

[These financial statements have not been audited]

## FINANCIAL STATEMENTS

## 30 JUNE 2015

# UBUNTU LOCAL MUNICIPALITY

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# UBUNTU LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## GENERAL INFORMATION

### NATURE OF BUSINESS

Ubuntu Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The Ubuntu Municipality includes the following areas:

*Victoria West*
*Richmond*
*Loxton*

### MUNICIPAL MANAGER

*Mr. X Malgas*

### CHIEF FINANCIAL OFFICER

*Mr. X Malgas*

### REGISTERED OFFICE

*78 Church Street, Victoria West, 7070*

### AUDITORS

*Office of the Auditor General (NC)*

### PRINCIPLE BANKERS

*First National Bank, Victoria West*

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2011
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

# UBUNTU LOCAL MUNICIPALITY

## MEMBERS OF THE UBUNTU LOCAL MUNICIPALITY

### COUNCILLORS

| | |
|---|---|
| Ward 1 | *Cllr K.J Rigard* |
| Ward 2 | *Cllr J.C Pieterse* |
| Ward 3 | *Cllr C.C Jantjies* |
| Ward 4 | *Cllr K.J Arens* |
| Proportional | *Cllr K.V De Bruin* |
| Proportional | *Cllr S.C Jordaan* |
| Proportional | *Cllr A.Verwey* |
| Proportional | *Cllr B.J Bruwer* |

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2015, which are set out on pages 1 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

*Mr. X Malgas*
**Municipal Manager**

31 - 08 - 2015
**Date**

## UBUNTU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

| | Notes | 2015 (Actual) R | 2014 (Restated) R |
|---|---|---|---|
| **NET ASSETS AND LIABILITIES** | | | |
| **Net Assets** | | **146,471,190** | **138,598,475** |
| Accumulated Surplus | | 146,471,190 | 138,598,475 |
| **Non-Current Liabilities** | | **8,898,537** | **9,466,689** |
| Annuity Loans | 2.1 | 556,032 | 802,619 |
| Capitalised Lease Liability | 2.2 | 94,227 | 360,583 |
| Employee benefits | 3 | 7,127,559 | 7,281,407 |
| Non-Current Provisions | 4 | 1,120,719 | 1,022,079 |
| **Current Liabilities** | | **32,711,775** | **25,818,985** |
| Consumer Deposits | 5 | 229,248 | 217,591 |
| Current Employee benefits | 6 | 2,690,523 | 2,531,560 |
| Provisions | 7 | 2,809,286 | 2,558,527 |
| Payables from exchange transactions | 8 | 20,234,509 | 9,420,766 |
| Unspent Conditional Government Grants and Receipts | 9 | 2,371,937 | 7,396,155 |
| Taxes | 10.1 | 1,880,105 | 2,175,208 |
| Operating Lease Liability | 21.1 | - | 698 |
| Cash and Cash Equivalents | 22 | 1,983,222 | 1,047,083 |
| Current Portion of Annuity Loans | 2.1 | 246,587 | 227,883 |
| Current Portion of Capitalised Lease Liability | 2.2 | 266,357 | 243,514 |
| **Total Net Assets and Liabilities** | | **188,081,501** | **173,884,150** |
| **ASSETS** | | | |
| **Non-Current Assets** | | **157,503,489** | **152,209,467** |
| Property, Plant and Equipment | 11 | 132,014,586 | 126,756,293 |
| Investment Property | 12 | 23,135,338 | 23,159,854 |
| Intangible Assets | 13 | 7,961 | 20,778 |
| Capitalised Restoration Cost | 14 | 375,707 | 360,189 |
| Non-Current Investments | 15 | 1,802,097 | 1,704,724 |
| Biological Assets | 16 | 167,800 | 207,630 |
| Long-Term Receivables | 17 | - | - |
| **Current Assets** | | **30,578,012** | **21,674,682** |
| Inventory | 18 | 10,906 | 10,066 |
| Receivables from exchange transactions | 19 | 2,649,637 | 1,776,806 |
| Receivables from non-exchange transactions | 20 | 25,215,428 | 18,538,474 |
| Unpaid Conditional Government Grants and Receipts | 9 | 338,200 | 438,221 |
| Operating Lease Asset | 21.2 | 44,308 | 62,415 |
| Taxes | 10 | - | - |
| Current Portion of Long-term Receivables | 17 | - | - |
| Cash and Cash Equivalents | 22 | 2,319,533 | 848,700 |
| **Total Assets** | | **188,081,501** | **173,884,150** |

## UBUNTU LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | 2015 (Actual) R | 2014 (Restated) R |
|---|---|---|---|
| **REVENUE** | | | |
| **Revenue from Non-exchange Transactions** | | **97,163,952** | **97,187,812** |
| **Taxation Revenue** | | **6,002,212** | **2,441,770** |
| Property taxes | 23 | 6,002,212 | 2,441,770 |
| **Transfer Revenue** | | **41,847,057** | **42,185,075** |
| Government Grants and Subsidies - Capital | 24 | 15,083,537 | 12,069,660 |
| Government Grants and Subsidies - Operating | 24 | 26,763,020 | 30,114,716 |
| Public Contributions and Donations | | 500 | 699 |
| **Other Revenue** | | **49,314,684** | **52,560,967** |
| Actuarial Gains | | 750,337 | - |
| Third Party Payments | | 165,773 | 87,376 |
| Reversal of Impairments | 33 | 234 | 75 |
| Fines | 25 | 48,398,340 | 52,473,517 |
| **Revenue from Exchange Transactions** | | **25,149,407** | **22,092,871** |
| Service Charges | 26 | 20,359,429 | 18,438,376 |
| Rental of Facilities and Equipment | | 334,266 | 437,956 |
| Interest Earned - external investments | | 248,815 | 189,124 |
| Interest Earned - outstanding debtors | | 2,652,986 | 1,782,380 |
| Licences and Permits | | 784,409 | 988,021 |
| Agency Services | | 4,950 | 12,855 |
| Other Income | 27 | 738,052 | 244,160 |
| Fair Value Adjustments | 28 | - | - |
| Gain on disposal of Property, Plant and Equipment | | 26,500 | - |
| **Total Revenue** | | **122,313,359** | **119,280,684** |
| **EXPENDITURE** | | | |
| Employee related costs | 29 | 26,776,828 | 24,732,334 |
| Remuneration of Councillors | 30 | 2,520,357 | 2,359,485 |
| Debt Impairment | 31 | 45,477,419 | 44,825,633 |
| Depreciation and Amortisation | 32 | 6,116,296 | 5,948,666 |
| Impairments | 33 | - | - |
| Repairs and Maintenance | | 1,268,069 | 1,255,587 |
| Actuarial losses | 3 | - | 83,676 |
| Finance Charges | 34 | 1,909,204 | 900,353 |
| Bulk Purchases | 35 | 13,556,702 | 12,782,651 |
| Contracted services | | 4,627,329 | 7,142,222 |
| Grants and Subsidies | | - | - |
| Stock Adjustments | | - | - |
| Operating Grant Expenditure | | 4,508,955 | 6,849,946 |
| General Expenses | 36 | 7,639,654 | 7,745,783 |
| Loss on disposal of Property,Plant and Equipment | | - | 652,957 |
| Fair Value Adjustments | 28 | 39,830 | 99,470 |
| **Total Expenditure** | | **114,440,645** | **115,378,763** |
| **NET SURPLUS/(DEFICIT) FOR THE YEAR** | | **7,872,714** | **3,901,921** |

## UBUNTU LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

| | Accumulated Surplus | Total |
|---|---|---|
| | R | R |
| **Restated Balance at 1 JULY 2013** | **134,696,555** | **134,696,555** |
| Net Surplus for the year | 3,901,921 | 3,901,921 |
| **Balance at 30 JUNE 2014** | **138,598,475** | **138,598,475** |
| Net Surplus for the year | 7,872,714 | 7,872,714 |
| **Balance at 30 JUNE 2015** | **146,471,190** | **146,471,190** |

## UBUNTU LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

| | Notes | 30 JUNE 2015 R | 30 JUNE 2014 R |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| **Receipts** | | | |
| Ratepayers and other | | 18,587,177 | 24,433,310 |
| Government | | 41,368,362 | 49,311,063 |
| Interest | | 2,901,802 | 1,971,504 |
| Dividends | | - | - |
| **Payments** | | | |
| Suppliers and employees | | (49,123,871) | (62,635,753) |
| Finance charges | 34 | (1,909,204) | (900,353) |
| **Cash generated by operations** | 37 | **11,824,265** | **12,179,771** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Purchase of Property, Plant and Equipment | 11 | (11,190,707) | (12,196,104) |
| Purchase of Investment property | | - | - |
| Proceeds on Disposal of Fixed Assets | | 26,500 | 204,207 |
| Purchase of Intangible Assets | | - | - |
| Increase in Long-term Receivables | 17 | 431,749 | (274,304) |
| Increase in Non-current Investments | 15 | (97,373) | (87,938) |
| **Net Cash from Investing Activities** | | **(10,829,831)** | **(12,354,140)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Loans repaid | | (471,397) | (482,256) |
| New loans raised/restructured | | - | 867,225 |
| Increase in Consumer Deposits | | 11,657 | 14,240 |
| **Net Cash from Financing Activities** | | **(459,740)** | **399,209** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **534,694** | **224,841** |
| Cash and Cash Equivalents at the beginning of the year | | (198,383) | (423,224) |
| Cash and Cash Equivalents at the end of the year | 38 | 336,310 | (198,383) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **534,694** | **224,841** |

**UBUNTU LOCAL MUNICIPALITY**
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

| | 2015 R (Final Budget) | 2015 R (Actual) | 2015 R (Variance) | Explanations for material variances |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and Cash Equivalents | 10,970,953 | 2,319,533 | 8,651,421 | Projected balance in budget to optomistic. |
| Consumer debtors | 2,113,562 | 27,865,065 | (25,751,503) | Material Variance due to the prospective implementation of IGRAP 1 relating to Fines receivable recognised. |
| Other Receivables | 346,429 | 382,508 | (36,079) | Decrease in unpaid grants not taken into account in budget. |
| Inventory | 10,150 | 10,906 | (757) | Variance not considered material |
| **Total current assets** | 13,441,094 | 30,578,012 | (17,136,918) | |
| **Non current assets** | | | | |
| Investments | 1,693,876 | 1,802,097 | (108,222) | Increase in interest rates from January 2014 not taken into account in budget |
| Investment property | 26,409,955 | 23,135,338 | 3,274,618 | Budget not aligned with actual balance on 30 June 2013 |
| Property, plant and equipment | 134,082,958 | 132,390,293 | 1,692,665 | Budget not aligned with actual balance on 30 June 2013 |
| Biological Assets | 307,100 | 167,800 | 139,300 | Decrease due to lower than expected marker values of biological assets. |
| Intangible Assets | 16,443 | 7,961 | 8,482 | Variance not considered material |
| **Total non current assets** | 162,510,331 | 157,503,489 | 5,006,842 | |
| **TOTAL ASSETS** | 175,951,425 | 188,081,501 | (12,130,076) | |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Bank overdraft | 1,400,000 | 1,983,222 | (583,222) | Outstanding EFT's transferred to payables |
| Borrowing | 268,357 | 512,944 | (246,587) | Variance not considered material |
| Consumer deposits | 226,330 | 229,248 | (2,918) | Variance not considered material |
| Trade and other payables | 13,477,058 | 24,486,552 | (11,009,494) | Increase due to cash constraints. |
| Provisions and Employee Benefits | 4,443,520 | 5,499,809 | (1,056,289) | Budget allocation not sufficient |
| **Total current liabilities** | 19,813,265 | 32,711,775 | (12,898,510) | |
| **Non current liabilities** | | | | |
| Borrowing | 94,227 | 650,258 | (556,032) | Restructuring of DBSA loan not taken into account in budget. |
| Provisions and Employee Benefits | 8,285,546 | 8,248,278 | 37,267 | Budget allocation not sufficient |
| **Total non current liabilities** | 8,379,773 | 8,898,537 | (518,764) | |
| **TOTAL LIABILITIES** | 28,193,037 | 41,610,312 | (13,417,274) | |
| **NET ASSETS** | 147,758,388 | 146,471,190 | 1,287,198 | |
| **COMMUNITY WEALTH** | | | | |
| Accumulated Surplus/(Deficit) | 147,758,388 | 146,471,190 | 1,287,198 | |
| **TOTAL COMMUNITY WEALTH/EQUITY** | 147,758,388 | 146,471,190 | 1,287,198 | |

Only one budget was approved by Council during the year under review.

**UBUNTU LOCAL MUNICIPALITY**
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

| | 2015 R (Final Budget) | 2015 R (Actual) | 2015 R (Variance) | Explanations for material variances |
|---|---|---|---|---|
| **REVENUE BY SOURCE** | | | | |
| Property rates | 7,756,537 | 6,002,212 | 1,754,326 | Reduction in rates granted by council on certain properties |
| Service charges | 24,779,764 | 20,359,429 | 4,420,335 | Budget allocation not sufficient |
| Rental of facilities and equipment | 657,740 | 334,266 | 323,474 | |
| Interest earned - external investments | 388,000 | 248,815 | 139,185 | Decrease in cash balance. |
| Interest earned - outstanding debtors | 2,200,000 | 2,652,986 | (452,986) | |
| Reversal of Impairments | - | 234 | (234) | Not budgeted for. |
| Fines | 21,504,200 | 48,398,340 | (26,894,140) | Material Variance due to the prospective implementation of IGRAP 1 |
| Licences and permits | 1,062,960 | 784,409 | 278,551 | Budget allocation not sufficient |
| Agency services | 15,000 | 4,950 | 10,050 | |
| Government Grants and Subsidies - Operating | 26,239,800 | 26,763,020 | (523,220) | No budget allocation for housing top structures |
| Other revenue | 790,174 | 1,654,662 | (864,488) | |
| Gains on disposal of PPE | 45,000 | 26,500 | 18,500 | |
| **Total Operating Revenue** | 85,439,175 | 107,229,822 | (21,790,647) | |
| **EXPENDITURE BY TYPE** | | | | |
| Employee related costs | 31,909,253 | 26,776,828 | 5,132,425 | All vacancies not filled |
| Remuneration of councillors | 2,905,900 | 2,520,357 | 385,543 | |
| Debt impairment | 3,929,658 | 45,477,419 | (41,547,761) | Material Variance due to the prospective implementation of IGRAP 1 |
| Depreciation & asset impairment | 6,394,872 | 6,116,296 | 278,576 | |
| Finance charges | 769,468 | 1,909,204 | (1,139,736) | |
| Bulk purchases | 10,715,112 | 13,556,702 | (2,841,590) | Increase in cost of Electricity not fully budgeted for |
| Contracted services | 14,005,000 | 4,627,329 | 9,377,671 | |
| Other expenditure | 17,280,216 | 13,456,509 | 3,823,707 | Material decline in actual fines received during the year. |
| Loss on disposal of PPE | 1,124 | - | 1,124 | Loss on disposal of Abbatoir not accounted for in budget |
| **Total Operating Expenditure** | 87,910,603 | 114,440,645 | (26,530,042) | |
| **Operating Surplus/(Deficit) for the year** | (2,471,427) | (7,210,823) | 4,739,396 | |
| Government Grants and Subsidies - Capital | 11,155,000 | 15,083,537 | (3,928,537) | Projects not completed on 30 June 2014 rolled over to 2014/2015 |
| **Net Surplus/(Deficit) for the year** | 8,683,573 | 7,872,714 | 810,858 | |

Only one budget was approved by Council during the year under review.

Indigent subsidies budgeted for under transfers and grants in the approved budget are disclosed in the comparison above as a revenue foregone in line with GRAP.

**UBUNTU LOCAL MUNICIPALITY**
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

| | 2015 R (Final Budget) | 2015 R (Actual) | 2015 R (Variance) | Explanations for material variances |
|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| **Receipts** | | | | |
| Ratepayers and other | 52,940,032 | 18,587,177 | 34,352,855 | Variance indicative of poverty in municipal area. |
| Government | 37,394,800 | 41,368,362 | (3,973,562) | Budget did not include Housing and Paving Project. |
| Interest | 2,588,000 | 2,901,802 | (313,802) | Increase in cash reserves |
| **Payments** | | | | |
| Suppliers and Employees | (74,033,969) | (49,123,871) | (24,910,098) | Decrease in payments due to cash constraints |
| Finance charges | (769,468) | (1,909,204) | 1,139,736 | Increase in landfill site interest as well as interest on late payment of creditors |
| **NET CASH FROM/(USED) OPERATING ACTIVITIES** | 18,119,395 | 11,824,265 | 6,295,130 | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| **Receipts** | | | | |
| Proceeds on disposal of Assets | 45,000 | 26,500 | 18,500 | |
| Increase in non-current receivables | - | 431,749 | (431,749) | Increase in debtors with long term arrangements not budgeted for. |
| Increase in non-current investments | - | (97,373) | 97,373 | |
| **Payments** | | | | |
| Capital assets | (11,155,000) | (11,190,707) | 35,707 | Combination of projects not completed at year-end as well as projects not budgeted for (eg. paving project) |
| **NET CASH FROM/(USED) INVESTING ACTIVITIES** | (11,110,000) | (10,829,831) | (280,169) | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| **Receipts** | | | | |
| Borrowing | - | - | - | Restructuring of DBSA loan not budgeted for. |
| Increase/(decrease) in consumer deposits | 12,811 | 11,657 | 1,155 | |
| **Payments** | | | | |
| Repayment of borrowing | (468,348) | (471,397) | 3,049 | |
| **NET CASH FROM/(USED) FINANCING ACTIVITIES** | (455,536) | (459,740) | 4,204 | |
| **NET INCREASE/(DECREASE) IN CASH HELD** | 6,553,859 | 534,694 | 6,019,165 | |
| Cash and Cash Equivalents at the beginning of the year | 3,017,095 | (198,383) | 3,215,478 | |
| Cash and Cash Equivalents at the end of the year | 9,570,954 | 336,310 | 9,234,643 | |

Only one budget was approved by Council during the year under review.

Indigent subsidies budgeted for under transfers and grants in the approved budget are disclosed in the comparison above as a revenue foregone in line with GRAP.

## 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

### 1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

### 1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

### 1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

## 1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature, amount and reason for the reclassification are disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## 1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

## 1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

## 1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

## 1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

| Standard | Description | Effective Date |
|---|---|---|
| Directive 11 | **Changes in Measurement Bases following Initial Adoption of Standards of GRAP**<br>This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.<br><br>No significant impact is expected as the Municipality has no intention of changing i's measurement bases. | 1 April 2015 |
| GRAP 18<br>(Original – Feb 2011) | **Segment Reporting**<br>The objective of this Standard is to establish principles for reporting financial information by segments.<br><br>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements. | 1 April 2015 |
| GRAP 20<br>(Original – June 2011) | **Related Party Disclosure**<br>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.<br><br>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements. | Unknown |
| GRAP 32<br>(Original – Aug 2013) | **Service Concession Arrangements: Grantor**<br>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.<br><br>No such transactions or events are expected in the foreseeable future. | Unknown |
| GRAP 105<br>(Original – Nov 2010) | **Transfer of Functions Between Entities Under Common Control**<br>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. | 1 April 2015 |

| | | |
|---|---|---|
| | No significant impact expected as no such transactions or events are expected in the foreseeable future. | |
| **GRAP 106**<br>**(Original – Nov 2010)** | **Transfer of Functions Between Entities Not Under Common Control**<br>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.<br><br>No significant impact expected as no such transactions or events are expected in the foreseeable future. | **1 April 2015** |
| **GRAP 107**<br>**(Original – Nov 2010)** | **Mergers**<br>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.<br><br>No significant impact expected as no such transactions or events are expected in the foreseeable future. | **1 April 2015** |
| **GRAP 108**<br>**(Original – Sept 2013)** | **Statutory Receivables**<br>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.<br><br>The Municipality has revolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy. | **Unknown** |
| **GRAP 109** | **Accounting by Principles and Agents**<br>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.<br><br>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment. | **Unknown** |
| **IGRAP 11** | **Consolidation - Special Purpose Entities (SPE)**<br>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.<br><br>No significant impact is expected as the Municipality does not have any SPE's at this stage. | **Unknown** |
| **IGRAP 12** | **Jointly Controlled Entities non-monetary** | **Unknown** |

| | | |
|---|---|---|
| | **contributions**<br>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).<br><br>No significant impact is expected as the Municipality does not have any JCE's at this stage. | |
| **IGRAP 17** | **Service Concession Arrangements where a grantor controls a significant residual interest in an Asset**<br>The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.<br><br>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.<br><br>or<br><br>No such transactions or events are expected in the foreseeable future. | **Unknown** |

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## 1.9. RESERVES

### *1.9.1 Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

### *1.9.2 Employee Benefits Reserve*

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus.

## 1.10. LEASES

### *1.10.1 Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments, and the unguaranteed residual value to be equal to the sum of: the fair value of the leased asset, and any initial direct costs of the lessor.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### *1.10.2 Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

## 1.11. GOVERNMENT GRANTS AND RECEIPTS

### *1.11.1 Unspent Conditional Government Grants and Receipts*

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### *1.11.2 Unpaid Conditional Government Grants and Receipts*

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants and subsidies.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

## 1.12. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

## 1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

## 1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold

sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

### *1.14.1 Post-Retirement Medical Obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### *1.14.2 Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### *1.14.3 Provision for Staff Leave*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

### *1.14.4 Provision for Performance Bonuses*

A performance bonus is only recognised when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Performance bonuses are subject to Council approval.

### *1.14.5 Pension and Retirement Fund Obligations*

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

### *1.14.6 Staff Bonuses Accrued*

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

### *1.14.7 Other Short Term Employee Benefits*

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

## 1.15. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

## 1.16. PROPERTY, PLANT AND EQUIPMENT

### *1.16.1 Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### *1.16.2 Subsequent Measurement – Cost Model*

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less any accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

### *1.16.3 Depreciation and Impairment*

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

| | *Years* | | *Years* |
|---|---|---|---|
| **Infrastructure** | | **Other** | |
| Streets and Stormwater | 10-120 | Buildings | 100 |
| Electricity | 20-50 | Office Equipment | 4-35 |
| Water | 10-55 | Furniture and Fittings | 1-35 |
| Sewerage and sanitation | 10-55 | Electrical Equipment | 2-14 |
| | | Motor Vehicles | 5-44 |
| **Community** | | Mechanical Equipment | 4-10 |
| Recreational Facilities | 100 | Computer equipment | 5-12 |
| Cemetery | 23-25 | | |
| | | Landfill Sites | 70 |
| **Finance lease assets** | | | |
| Office equipment | 8-9 | | |

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

### *1.16.4 De-recognition*

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### *1.16.5 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)*

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

## 1.17. INTANGIBLE ASSETS

### *1.17.1 Initial Recognition*

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

### *1.17.2 Subsequent Measurement – Cost Model*

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### *1.17.3 Amortisation and Impairment*

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| **Intangible Assets** | **Years** |
|---|---|
| Computer Software | 5 |

### *1.17.4 De-recognition*

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### *1.17.5 Application of deemed cost (Directive 7)*

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

## 1.18. INVESTMENT PROPERTY

### *1.18.1 Initial Recognition*

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in

use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### *1.18.2 Subsequent Measurement – Cost Model*

Subsequent to initial recognition, items of investment property are measured at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Buildings are depreciated over 100 years.

### *1.18.3 De-recognition*

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### *1.18.4 Application of deemed cost - Directive 7*

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

## 1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

### *1.19.1 Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

### *1.19.2 Non-cash-generating assets*

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the

asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using the following approach:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an

asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## 1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

## 1.21. INVENTORIES

### *1.21.1 Initial Recognition*

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### *1.21.2 Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at

the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down as previously mentioned. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs

## 1.22 BIOLOGICAL ASSETS

### *1.22.1 Initial Recognition*

A biological asset or agricultural produce is recognised when, and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less estimated point-of-sale costs.

### *1.22.2 Subsequent Measurement*

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable/bearer biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

## 1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

### *1.23.1 Initial Recognition*

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly

attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

### *1.23.2 Subsequent Measurement*

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

*1.23.2.1* *Receivables*

Receivables are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

*1.23.2.2* *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value

and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

*1.23.2.3* *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

*1.23.2.4* *Non-Current Investments*

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

### *1.23.3 De-recognition of Financial Instruments*

*1.23.3.1* *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*1.23.3.2* *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

### *1.23.4 Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 1.24 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

*1.24.1* *Initial recognition*

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

*1.24.2* *Measurement*

The Municipality initially measures the statutory receivables at their transaction amount.
The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

(a) interest or other charges that may have accrued on the receivable;
(b) impairment losses; and
(c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the

difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

*1.24.2* *Derecognition*

The Municipality derecognises a statutory receivable when:

(a) the rights to the cash flows from the receivable are settled, expire or are waived;
(b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
(c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

    (i) derecognise the receivable; and

    (ii) recognise separately any rights and obligations created or retained in the transfer.

## 1.25. REVENUE

### *1.25.1 Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised

when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

### *1.25.2 Revenue from Exchange Transactions*

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. The majority of meters are read on a monthly basis and are recognised as revenue when invoiced. In exceptional instances, provisional estimates of consumption are made when meter readings have not been performed (due to the inability of the municipality to access the specific meter). The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer and the following conditions are met -

- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor
- effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

## 1.26. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:
- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

(a) are married or live together in a relationship similar to a marriage; or
(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

(a) all members of the governing body of the Municipality;
(b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
(c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
(d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

(a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

## 1.27. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.30. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable

Management judgement is required when recognising and measuring contingent liabilities.

## 1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Post Retirement Medical Obligations and Long Service Awards***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Management referred to the following when making assumptions regarding useful lives, deemed cost and residual values of property plant and equipment.

- Active selling prices in the market to determine residual values and deemed cost of movable assets.
- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- Municipal Valuations were used to determine the cost of land and buildings
- The municipality referred to buildings in other municipal areas to determine the useful life of buildings. The municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the municipality and other municipalities to determine the useful life of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- Municipal Valuations were used to determine the cost of land and buildings
- The municipality referred to buildings in other municipal areas to determine the useful life of buildings. The municipality also consulted with professional engineers and qualified valuors to support the useful life of buildings.

***Provisions and Contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

***Revenue Recognition***

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods.The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best

estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

***Componentisation of infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

## 1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

## 1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

## 1.34. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors, and the treatment of assets financed by external grants.

## 1.35. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

| | | 2015 R | 2014 R |
|---|---|---|---|
| 2 | **LONG-TERM LIABILITIES** | | |
| 2.1 | **ANNUITY LOANS** | | |
| | Annuity Loans - At amortised cost | 802,619 | 1,030,502 |
| | Less: Current portion of Annuity Loans - At amortised cost | (246,587) | (227,883) |
| | **Total** | **556,032** | **802,619** |

The obligations under annuity loans are scheduled below:

| | Minimum annuity payments | |
|---|---|---|
| Amounts payable under annuity loans: | | |
| Payable within one year | 303,641 | 303,641 |
| Payable within two to five years | 607,249 | 910,890 |
| Payable after five years | - | - |
| | 910,890 | 1,214,531 |
| Less: Future finance obligations | (108,271) | (184,029) |
| **Present value of annuity obligations** | **802,619** | **1,030,502** |

Annuity loans at amortised cost is calculated at 8% interest rate, with a maturity date of 30 June 2018. The loan is unsecured.

| | | | |
|---|---|---|---|
| 2.2 | **CAPITALISED LEASE LIABILITY** | | |
| | Capitalised Lease Liability - At amortised cost | 360,583 | 604,097 |
| | Less: Current portion of capitalised Lease Liability - At amortised cost | (266,357) | (243,514) |
| | **Total** | **94,227** | **360,583** |

The obligations under finance leases are scheduled below:

| | Minimum lease payments | |
|---|---|---|
| Amounts payable under finance leases: | | |
| Payable within one year | 288,000 | 288,000 |
| Payable within two to five years | 96,000 | 384,000 |
| Payable after five years | - | - |
| | 384,000 | 672,000 |
| Less: Future finance obligations | (23,417) | (67,903) |
| **Present value of lease obligations** | **360,583** | **604,097** |

Leases are secured by lease assets included in property, plant and equipment - Note 11

The capitalised lease liability consist out of the following contracts:

| Supplier | Description of leased item | Effective Interest rate | Annual Escalation | Lease Term | Maturity Date |
|---|---|---|---|---|---|
| Nashua | Copiers and Telephone System | 9% | 0% | 5 Years | 31/10/2016 |

Refer to Appendix A for further detail

| 3 | EMPLOYEE BENEFITS | 2015 R | 2014 R |
|---|---|---|---|
| | Post Retirement Benefits - Refer to Note 4.1 | 6,133,431 | 6,423,260 |
| | Long Service Awards - Refer to Note 4.2 | 994,128 | 858,147 |
| | **Total Non-current Employee Benefit Liabilities** | **7,127,559** | **7,281,407** |
| | ***Post Retirement Benefits*** | | |
| | Balance 1 July | 6,990,776 | 6,544,745 |
| | Contribution for the year | 171,727 | 230,140 |
| | Interest Cost | 565,014 | 510,402 |
| | Expenditure for the year | (404,385) | (373,117) |
| | Actuarial Loss | (730,293) | 78,606 |
| | **Total post retirement benefits 30 June** | **6,592,839** | **6,990,776** |
| | **Less:** Transfer of Current Portion - Note 6 | (459,408) | (567,516) |
| | **Balance 30 June** | **6,133,431** | **6,423,260** |
| | ***Long Service Awards*** | | |
| | Balance 1 July | 966,985 | 832,072 |
| | Contribution for the year | 91,190 | 75,483 |
| | Interest Cost | 72,065 | 54,360 |
| | Actuarial Loss/(Gain) | (20,044) | 5,070 |
| | **Total long service 30 June** | **1,110,196** | **966,985** |
| | **Less:** Transfer of Current Portion - Note 6 | (116,068) | (108,838) |
| | **Balance 30 June** | **994,128** | **858,147** |
| | ***TOTAL NON-CURRENT EMPOLYEE BENEFITS*** | | |
| | Balance 1 July | 7,957,761 | 7,376,817 |
| | Contribution for the year | 262,917 | 305,623 |
| | Interest cost | 637,079 | 564,762 |
| | Expenditure for the year | (404,385) | (373,117) |
| | Actuarial Loss | (750,337) | 83,676 |
| | **Total employee benefits 30 June** | **7,703,035** | **7,957,761** |
| | **Less:** Transfer of Current Portion - Note 6 | (575,476) | (676,354) |
| | **Balance 30 June** | **7,127,559** | **7,281,407** |

**3.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

| | | |
|---|---|---|
| In-service (employee) members | 14 | 14 |
| In-service (employee) non-members | 112 | 85 |
| Continuation members (e.g. Retirees, widows, orphans) | 13 | 16 |
| **Total Members** | **139** | **115** |

The liability in respect of past service has been estimated to be as follows:

| | | |
|---|---|---|
| In-service members | 2,907,512 | 2,079,882 |
| Continuation members | 3,685,327 | 4,910,894 |
| **Total Liability** | **6,592,839** | **6,990,776** |

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2013 R | 2012 R | 2011 R |
|---|---|---|---|
| **Total Liability** | 6,544,745 | 5,804,231 | 3,751,443 |

Experience adjustments were calculated as follows:

| | 2015 R | 2014 Rm | 2013 Rm | 2012 Rm | 2011 Rm |
|---|---|---|---|---|---|
| Liabilities: (Gain) / loss | (0.441) | 0.326 | 0.483 | 1.085 | - |
| Assets: Gain / (loss) | | - | - | - | - |

There were no experience adjustments during 2010 and 2010.

| | 2016 R |
|---|---|
| The following are estimates for the 2015/2016 financial year: | |
| Future Service Cost | 347,862 |
| Interest Cost | 549,053 |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Discovery
Samwumed; and
Keyhealth.

| Key actuarial assumptions used: | 2015 % | 2014 % |
|---|---|---|
| **i) Rate of interest** | | |
| Discount rate | 8.62% | 8.42% |
| Health Care Cost Inflation Rate | 7.90% | 7.84% |
| Net Effective Discount Rate | 0.67% | 0.53% |

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

| **The amounts recognised in the Statement of Financial Position are as follows:** | 2015 R | 2014 R |
|---|---|---|
| Present value of fund obligations | 6,133,431 | 6,990,776 |
| **Net liability** | **6,133,431** | **6,990,776** |

The fund is not supported by any plan assets

**Reconciliation of present value of fund obligation:**

| | | |
|---|---|---|
| Present value of fund obligation at the beginning of the year | 6,990,776 | 6,544,745 |
| Total expenses | 332,356 | 367,425 |
| Current service cost | 171,727 | 230,140 |
| Interest Cost | 565,014 | 510,402 |
| Benefits Paid | (404,385) | (373,117) |
| Actuarial losses | (730,293) | 78,606 |
| Present value of fund obligation at the end of the year | 6,592,839 | 6,990,776 |
| **Less:** Transfer of Current Portion - Note 6 | (459,408) | (567,516) |
| **Balance 30 June** | **6,133,431** | **6,423,260** |

**Sensitivity Analysis on the Accrued Liability**

| Assumption | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) |
|---|---|---|---|
| Central Assumptions | 2.908 | 3.685 | 6.593 |

The effect of movements in the assumptions are as follows:

| Assumption | Change | In-service members liability (Rm) | Continuation members liability (Rm) | Total liability (Rm) | % change |
|---|---|---|---|---|---|
| Health care inflation | 1% | 3.543 | 3.945 | 7.488 | 14% |
| Health care inflation | -1% | 2.403 | 3.452 | 5.855 | -11% |
| Discount Rate | 1% | 2.410 | 3.456 | 5.866 | -11% |
| Discount Rate | -1% | 3.545 | 3.946 | 7.491 | 14% |
| Post-retirement mortality | -1 year | 3.019 | 3.875 | 6.894 | 5% |
| Average retirement age | -1 year | 3.217 | 3.685 | 6.902 | 5% |
| Continuation of membership at retirement | -10% | 2.187 | 3.685 | 5.872 | -11% |

| Assumption | Change | Current-service Cost (R) | Interest Cost (R) | Total (R) | % change |
|---|---|---|---|---|---|
| Central Assumption | | 171,700 | 565,000 | 736,700 | |

The effect of movements in the assumptions are as follows:

| | | | | | |
|---|---|---|---|---|---|
| Health care inflation | 1% | 209,400 | 625,900 | 835,300 | 13% |
| Health care inflation | -1% | 141,600 | 513,800 | 655,400 | -11% |
| Discount Rate | 1% | 143,300 | 575,600 | 718,900 | -2% |
| Discount Rate | -1% | 207,700 | 551,700 | 759,400 | 3% |
| Post-retirement mortality | -1 year | 179,400 | 593,600 | 773,000 | 5% |
| Average retirement age | -1 year | 192,100 | 581,600 | 773,700 | 5% |
| Withdrawal Rate | -50% | 130,400 | 522,000 | 652,400 | -11% |

| | 2015 | 2014 |
|---|---|---|
| **3.2 Long Service Bonuses** | | |
| The Long Service Bonus plans are defined benefit plans. | | |
| As at year end, the following number of employees were eligible for Long Service Bonuses. | 126 | 99 |

| | 2016 R |
|---|---|
| The following are estimates for the 2015/2016 financial year: | |
| Future Service Cost | 122,641 |
| Interest Cost | 83,883 |

Key actuarial assumptions used:

| i) Rate of interest | 2015 % | 2014 % |
|---|---|---|
| Discount rate | 7.96% | 7.89% |
| General Salary Inflation (long-term) | 7.06% | 7.09% |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 0.84% | 0.74% |

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

| **The amounts recognised in the Statement of Financial Position are as follows:** | 2015 R | 2014 R |
|---|---|---|
| Present value of fund obligations | 1,110,196 | 966,985 |
| **Net liability** | **1,110,196** | **966,985** |

The fund is not supported by any plan assets

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

| | 2013 | 2012 R | 2011 R |
|---|---|---|---|
| **Total Liability** | 832,072 | 820,789 | 722,790 |

Experience adjustments were calculated as follows:

| | 2015 R | 2014 R | 2013 R | 2012 R | 2011 R |
|---|---|---|---|---|---|
| Liabilities: (Gain) / loss | 96,022 | 157,011 | (17,831) | (20,034) | 640,602 |
| Assets: Gain / (loss) | - | - | - | - | - |

| | 2015 R | 2014 R |
|---|---|---|
| **Reconciliation of present value of fund obligation:** | | |
| Present value of fund obligation at the beginning of the year | 966,985 | 832,072 |
| Total expenses | 163,255 | 129,843 |
| Current service cost | 91,190 | 75,483 |
| Interest Cost | 72,065 | 54,360 |
| Actuarial loss/(gain) | (20,044) | 5,070 |
| Present value of fund obligation at the end of the year | 1,110,196 | 966,985 |
| Less: Transfer of Current Portion - Note 6 | (116,068) | (108,838) |
| **Balance 30 June** | **994,128** | **858,147** |

**Sensitivity Analysis on the Unfunded Accrued Liability**

| Assumption | Change | Liability (R m) | % change |
|---|---|---|---|
| Central assumptions | | 1.110 | |
| The effect of movements in the assumptions are as follows: | | | |
| General salary inflation | 1% | 1.178 | 6% |
| General salary inflation | -1% | 1.049 | -6% |
| Discount Rate | 1% | 1.045 | -6% |
| Discount Rate | -1% | 1.183 | 7% |
| Average retirement age | -2 yrs | 0.983 | -11% |
| Average retirement age | 2 yrs | 1.245 | 12% |
| Withdrawal rates | -50% | 1.340 | 21% |

| Assumption | Change | Current-service Cost (R) | Interest Cost (R) | Total (R) | % change |
|---|---|---|---|---|---|
| Central Assumption | | 91,200 | 72,100 | 163,300 | |
| The effect of movements in the assumptions are as follows: | | | | | |
| General Salary Inflation | 1% | 98,700 | 76,700 | 175,400 | 7% |
| General Salary Inflation | -1% | 84,500 | 67,900 | 152,400 | -7% |
| Discount Rate | 1% | 84,200 | 76,200 | 160,400 | -2% |
| Discount Rate | -1% | 99,200 | 67,300 | 166,500 | 2% |
| Average retirement age | -2 years | 81,300 | 63,600 | 144,900 | -11% |
| Average retirement age | +2 years | 98,800 | 80,600 | 179,400 | 10% |
| Withdrawal Rate | -50% | 122,800 | 87,800 | 210,600 | 29% |

**3.3 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

| | 2015<br>R | 2014<br>R |
|---|---|---|
| ***CAPE RETIREMENT FUND*** | | |
| The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 106.2% (30 June 2013 - 105.1%). | | |
| Contributions paid recognised in the Statement of Financial Performance | 470,809 | 433,067 |
| ***DEFINED CONTRIBUTION FUNDS*** | | |
| Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. | | |
| Contributions paid recognised in the Statement of Financial Performance | | |
| Municipal Councillors Pension Fund | 103,172 | 57,089 |
| SALA Pension Fund | 3,193,005 | 2,356,039 |
| SAMWU National Provident Fund | 73,205 | 75,286 |
| | 3,369,382 | 2,488,415 |

## 4 NON-CURRENT PROVISIONS

| | | |
|---|---|---|
| Provision for Rehabilitation of Landfill-sites | **1,120,719** | **1,022,079** |
| ***Landfill Sites*** | | |
| Balance 1 July | 3,580,606 | 3,117,580 |
| Additions | 161,834 | 316,244 |
| Unwinding of discounted interest | 187,565 | 146,783 |
| **Total provision 30 June** | **3,930,005** | **3,580,606** |
| Less: Transfer of Current Portion to Current Provisions - Refer to note 7 | (2,809,286) | (2,558,527) |
| **Balance 30 June** | **1,120,719** | **1,022,079** |

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs (30 June 2015). The assumptions used are as follows:

| | Loxton | Victoria West | Richmond |
|---|---|---|---|
| Area (m²) | 22,800 | 30,000 | 22,500 |
| Rehabilitation area (m²) | 15,960 | 24,000 | 18,000 |
| Fence (m) | 620 | 800 | 750 |
| Cost of fence (Rand) | 260,400 | 336,000 | 315,000 |
| Shape, Trim and compact Dump (R5/m²) | 161,880 | 213,000 | 159,750 |
| Excavation cost (150mm @ R40/m³) | 135,620 | 203,940 | 152,955 |
| Placing cover material (150mm @ R20/m³) | - | - | 76,410 |
| Capping Layer (200mm @ R30/m³) | 135,500 | 203,760 | - |
| Re-vegetation (R2.55/m²) | 58,254 | 87,600 | - |
| Drainage System R4.22/m²) | 95,760 | 144,000 | 108,000 |
| Preliminary and general (Rand) | 169,483 | 237,660 | 162,423 |
| Fees and expenses (Rand) | 152,535 | 213,894 | 146,181 |
| | **1,169,432** | **1,639,854** | **1,120,719** |

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

| Location | Reviewed Estimated decommission date | Cost of rehabilitation 2015 R | Cost of rehabilitation 2014 R |
|---|---|---|---|
| Loxton | 2015 | 1,169,432 | 1,065,239 |
| Victoria Wes | 2015 | 1,639,854 | 1,493,288 |
| Richmond | 2018 | 1,120,719 | 1,021,959 |
| | | **3,930,005** | **3,580,486** |

| | | 2015 R | 2014 R |
|---|---|---|---|
| 5 | **CONSUMER DEPOSITS** | | |
| | Electricity | 138,675 | 133,889 |
| | Water | 90,573 | 83,702 |
| | **Total Consumer Deposits** | **229,248** | **217,591** |
| | **Guarantees held in lieu of Electricity and Water Deposits** | - | - |

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

| | | | |
|---|---|---|---|
| 6 | **CURRENT EMPLOYEE BENEFITS** | | |
| | Current Portion of Post Retirement Benefits - Note 3 | 459,408 | 567,516 |
| | Current Portion of Long-Service Provisions - Note 3 | 116,068 | 108,838 |
| | Staff Leave Accrual | 1,563,291 | 1,449,419 |
| | Bonus Accrual | 551,757 | 405,787 |
| | **Total Current Employee Benefits** | **2,690,523** | **2,531,560** |

The movement in current employee benefits are reconciled as follows:

***Staff Leave Accrual***

| | | |
|---|---|---|
| Balance at beginning of year | 1,449,419 | 1,496,185 |
| Contribution to current portion | 217,501 | 138,784 |
| Expenditure incurred | (103,632) | (185,549) |
| Balance at end of year | **1,563,288** | **1,449,419** |

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement. All leave is vesting, as all employee's will be compensated for unused leave at the end of their employment term.

***Bonus Accrual***

| | | |
|---|---|---|
| Balance at beginning of year | 405,787 | 366,136 |
| Contribution to current portion | 1,155,605 | 938,431 |
| Expenditure incurred | (1,009,636) | (898,780) |
| Balance at end of year | **551,757** | **405,787** |

Bonuses are being paid to all permanent municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

| | | | |
|---|---|---|---|
| 7 | **PROVISIONS** | | |
| | Current Portion of Rehabilitation of Landfill-sites - Refer to note 4 | 2,809,286 | 2,558,527 |
| | **Total Provisions** | **2,809,286** | **2,558,527** |

| | | 2015 R | 2014 R |
|---|---|---|---|
| 8 | **PAYABLES FROM EXCHANGE TRANSACTIONS** | | |
| | Trade Payables | 17,112,638 | 5,898,715 |
| | Salary Accruals | 631,631 | 631,631 |
| | Arrear Portion of Long Term Liabilities | 314,281 | 10,640 |
| | Pre-paid electricity | 75,931 | 75,931 |
| | Sundry Creditors | 997,087 | 256,604 |
| | Payments received in advance | 122,116 | 2,233,313 |
| | Sundry Deposits | 92,232 | 92,444 |
| | Traffic Fines Control | 888,594 | 221,488 |
| | **Total Trade Payables** | **20,234,509** | **9,420,766** |

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include hall, builders and housing Deposits.

The arrear portion of long term liabilities originated as a result of the municipality not settling in full the current portion of the annuity loan as disclosed in note 3.1. This amount reduced significantly in the current year due the restructuring of the DBSA loan on 1 August 2013.

| | | | |
|---|---|---|---|
| 9 | **UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS** | | |
| | **Unspent Grants** | 2,371,937 | 7,396,155 |
| | National Government Grants | 908,611 | 6,643,678 |
| | Provincial Government Grants | 811,665 | 563,478 |
| | District Municipality | - | - |
| | Other Grant Providers | 651,661 | 188,999 |
| | Less: Unpaid Grants | 338,200 | 438,221 |
| | National Government Grants | 331,546 | 31,067 |
| | Provincial Government Grants | - | 400,500 |
| | District Municipality | 6,654 | 6,654 |
| | **Total Conditional Grants and Receipts** | **2,033,737** | **6,957,934** |

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

| | | | |
|---|---|---|---|
| 10 | **TAXES** | | |
| 10.1 | **VAT PAYABLE** | | |
| | VAT Payable | (15,266) | 162,154 |
| | VAT output in suspense | 3,995,648 | 2,470,038 |
| | Total Vat payable | **3,980,383** | **2,632,192** |
| 10.2 | **VAT RECEIVABLE** | | |
| | VAT Receivable | - | - |
| | VAT input in suspense | 2,100,278 | 456,985 |
| | Total VAT receivable | **2,100,278** | **456,985** |
| 10.3 | **NET VAT PAYABLE** | **1,880,105** | **2,175,208** |

VAT is receivable/payable on the cash basis.

## 11 PROPERTY, PLANT AND EQUIPMENT

### 30 JUNE 2015

| Reconciliation of Carrying Value | Cost | | | | Accumulated Depreciation and Impairment Losses | | | | Carrying Value |
|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance R | Additions R | Disposals R | Closing Balance R | Opening Balance R | Depreciation for the year R | Disposals R | Closing Balance R | R |
| **Land and Buildings** | **8,322,176** | **-** | **-** | **8,322,176** | **391,357** | **63,629** | **-** | **454,985** | **7,867,191** |
| Land | 1,959,310 | - | - | 1,959,310 | - | - | - | - | 1,959,310 |
| Buildings | 6,362,866 | - | - | 6,362,866 | 391,357 | 63,629 | - | 454,985 | 5,907,881 |
| **Infrastructure** | **140,748,914** | **10,460,156** | **-** | **151,209,070** | **33,135,137** | **5,095,382** | **-** | **38,230,519** | **112,978,551** |
| Stormwater and Roads | 47,953,282 | 3,544,842 | - | 51,498,124 | 16,207,268 | 2,305,081 | - | 18,512,349 | 32,985,775 |
| Sewerage | 33,912,812 | 46,221 | - | 33,959,032 | 5,755,610 | 927,416 | - | 6,683,025 | 27,276,007 |
| Electricity | 21,437,435 | 1,199,473 | - | 22,636,907 | 4,448,525 | 718,587 | - | 5,167,112 | 17,469,795 |
| Water | 36,913,344 | 5,669,621 | - | 42,582,965 | 6,723,734 | 1,144,299 | - | 7,868,032 | 34,714,933 |
| Solid Waste | 532,041 | - | - | 532,041 | - | - | - | - | 532,041 |
| **Community Assets** | **4,169,979** | **592,623** | **-** | **4,762,603** | **50,809** | **10,037** | **-** | **60,846** | **4,701,757** |
| Recreation Grounds | 680,701 | - | - | 680,701 | 13,310 | 4,632 | - | 17,942 | 662,758 |
| Public Open Spaces | 1,671,374 | - | - | 1,671,374 | - | - | - | - | 1,671,374 |
| Cemetery | 1,817,905 | 592,623 | - | 2,410,528 | 37,499 | 5,405 | - | 42,904 | 2,367,624 |
| **Lease Assets** | **1,156,161** | **-** | **-** | **1,156,161** | **613,874** | **231,232** | **-** | **845,106** | **311,055** |
| Office Equipment | 1,156,161 | - | - | 1,156,161 | 613,874 | 231,232 | - | 845,106 | 311,055 |
| **Other Assets** | **9,228,507** | **137,927** | **-** | **9,366,434** | **2,678,268** | **532,133** | **-** | **3,210,402** | **6,156,033** |
| Office Equipment | 894,389 | - | - | 894,389 | 395,186 | 119,802 | - | 514,989 | 379,400 |
| Furniture & Fittings | 1,329,902 | 596 | - | 1,330,498 | 526,539 | 99,195 | - | 625,735 | 704,763 |
| Electrical Equipment | 386,114 | 9,881 | - | 395,995 | 230,382 | 47,024 | - | 277,406 | 118,589 |
| Motor vehicles | 5,577,458 | - | - | 5,577,458 | 1,050,005 | 156,750 | - | 1,206,755 | 4,370,703 |
| Mechanical Equipment | 457,317 | 49,797 | - | 507,114 | 190,650 | 50,453 | - | 241,102 | 266,011 |
| Computer equipment | 583,328 | 77,652 | - | 660,980 | 285,506 | 58,909 | - | 344,414 | 316,566 |
| | **163,625,738** | **11,190,707** | **-** | **174,816,444** | **36,869,445** | **5,932,414** | **-** | **42,801,858** | **132,014,586** |

30 JUNE 2014

| Reconciliation of Carrying Value | Cost | | | | Accumulated Depreciation and Impairment Losses | | | | Carrying Value |
|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance R | Additions R | Disposals R | Closing Balance R | Opening Balance R | Depreciation for the year R | Disposals R | Closing Balance R | R |
| **Land and Buildings** | **9,202,176** | **-** | **(880,000)** | **8,322,176** | **372,769** | **64,903** | **(46,315)** | **391,357** | **7,930,820** |
| Land | 2,089,310 | - | (130,000) | 1,959,310 | - | - | - | - | 1,959,310 |
| Buildings | 7,112,866 | - | (750,000) | 6,362,866 | 372,769 | 64,903 | (46,315) | 391,357 | 5,971,509 |
| **Infrastructure** | **129,688,394** | **11,105,490** | **(44,970)** | **140,748,914** | **28,056,635** | **5,104,837** | **(26,335)** | **33,135,137** | **107,613,777** |
| Stormwater and Roads | 41,174,961 | 6,778,321 | - | 47,953,282 | 13,891,325 | 2,315,943 | - | 16,207,268 | 31,746,014 |
| Sewerage | 33,616,423 | 296,389 | - | 33,912,812 | 4,828,194 | 927,416 | - | 5,755,610 | 28,157,202 |
| Electricity | 19,532,447 | 1,904,988 | - | 21,437,435 | 3,729,938 | 718,587 | - | 4,448,525 | 16,988,910 |
| Water | 34,832,522 | 2,125,792 | (44,970) | 36,913,344 | 5,607,177 | 1,142,892 | (26,335) | 6,723,734 | 30,189,610 |
| Other | 532,041 | - | - | 532,041 | - | - | - | - | 532,041 |
| **Community Assets** | **3,150,630** | **1,019,350** | **-** | **4,169,979** | **43,504** | **7,305** | **-** | **50,809** | **4,119,170** |
| Recreation Grounds | 593,155 | 87,546 | - | 680,701 | 11,410 | 1,900 | - | 13,310 | 667,390 |
| Public Open Spaces | 1,671,374 | - | - | 1,671,374 | - | - | - | - | 1,671,374 |
| Cemetery | 886,101 | 931,804 | - | 1,817,905 | 32,093 | 5,405 | - | 37,499 | 1,780,406 |
| **Lease Assets** | **1,156,161** | **-** | **-** | **1,156,161** | **382,642** | **231,232** | **-** | **613,874** | **542,287** |
| Office Equipment | 1,156,161 | - | - | 1,156,161 | 382,642 | 231,232 | - | 613,874 | 542,287 |
| **Other Assets** | **9,162,349** | **71,265** | **(5,106)** | **9,228,507** | **2,186,890** | **491,641** | **(262)** | **2,678,268** | **6,550,239** |
| Office Equipment | 894,389 | - | - | 894,389 | 275,357 | 119,830 | - | 395,186 | 499,202 |
| Furniture & Fittings | 1,317,295 | 17,713 | (5,106) | 1,329,902 | 426,469 | 100,333 | (262) | 526,539 | 803,362 |
| Electrical Equipment | 376,781 | 9,332 | - | 386,114 | 184,577 | 45,805 | - | 230,382 | 155,732 |
| Motor vehicles | 5,577,458 | - | - | 5,577,458 | 933,859 | 116,147 | - | 1,050,005 | 4,527,453 |
| Mechanical Equipment | 449,992 | 7,325 | - | 457,317 | 137,826 | 52,824 | - | 190,650 | 266,667 |
| Computer equipment | 546,433 | 36,895 | - | 583,328 | 228,803 | 56,703 | - | 285,506 | 297,823 |
| | **152,359,710** | **12,196,104** | **(930,076)** | **163,625,738** | **31,042,440** | **5,899,918** | **(72,912)** | **36,869,445** | **126,756,293** |
| Balance previously reported | 152,359,710 | 12,196,104 | (930,076) | 163,625,738 | 31,042,440 | 5,899,918 | (72,912) | 36,869,445 | 126,756,293 |
| Correction of error - Refer to note 36.01 | - | - | - | - | - | - | - | - | - |
| | **152,359,710** | **12,196,104** | **(930,076)** | **163,625,738** | **31,042,440** | **5,899,918** | **(72,912)** | **36,869,445** | **126,756,293** |

| The following work in progress balances are included in Property, Plant and Equipment | 2015 R | 2014 R |
|---|---|---|
| Infrastructure - Stormwater and Roads | 12,898,356 | 3,683,893 |
| Infrastructure - Sewerage | 1,455,699 | 1,409,478 |
| Infrastructure - Electricity | 3,894,189 | 2,694,716 |
| Infrastructure - Water | 2,070,613 | 2,070,613 |
| Infrastructure - Other | 532,041 | 532,041 |
| Community Assets - Recreation Grounds | 273,201 | 273,201 |
| Community Assets - Cemetery | 1,758,131 | 1,165,508 |
| | 22,882,230 | 11,829,450 |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 12 | **INVESTMENT PROPERTY** | | |
| | **Net Carrying amount at 1 July** | **23,159,854** | **23,184,370** |
| | Cost | 23,331,600 | 23,331,600 |
| | Accumulated Depreciation | (171,746) | (147,230) |
| | Depreciation for the year | (24,516) | (24,516) |
| | **Net Carrying amount at 30 June** | **23,135,338** | **23,159,854** |
| | Cost | 23,331,600 | 23,331,600 |
| | Accumulated Depreciation | (196,262) | (171,746) |

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 13 | **INTANGIBLE ASSETS** | | |
| | **Computer Software** | | |
| | **Net Carrying amount at 1 July** | **20,778** | **34,043** |
| | Cost | 66,325 | 66,325 |
| | Accumulated Amortisation | (45,547) | (32,282) |
| | Additions | - | - |
| | Amortisation | (12,817) | (13,265) |
| | **Net Carrying amount at 30 June** | **7,961** | **20,778** |
| | Cost | 66,325 | 66,325 |
| | Accumulated Amortisation | (58,364) | (45,547) |

| Description | Remaining Amortisation Period | Carrying Value 2015<br>R | Carrying Value 2014<br>R |
|---|---|---|---|
| Microsoft Office, Windows software and system software | 3 - 5 years | 7,961 | 20,778 |

No intangible assets were assessed to having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

| | | 2015 R | 2014 R |
|---|---|---|---|
| 14 | **CAPITALISED RESTORATION COST** | | |
| | **Net Carrying amount at 1 July** | **360,189** | **54,839** |
| | Additions | 161,834 | 316,244 |
| | Depreciation | (146,550) | (10,968) |
| | Impairment | - | - |
| | Reversal of Impairment due to an increase in discount rate | 234 | 75 |
| | **Net Carrying amount at 30 June** | **375,707** | **360,189** |
| | Cost | 715,762 | 553,928 |
| | Accumulated Depreciation | (200,273) | (53,723) |
| | Accumulated Impairments | (139,782) | (140,016) |
| 15 | **NON-CURRENT INVESTMENTS** | | |
| | Fixed Deposits | 1,802,097 | 1,704,724 |
| | **Total Non-Current Investments** | **1,802,097** | **1,704,724** |

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 5.7% % to 5.90 % per annum (2014 - 5.7% to 5.90%). The carrying amount of these assets approximates their fair value.

Investments to the value of R 1 400 000 are pledged as security for the overdraft facility at FNB - Refer to note 22

Fixed deposits consist out of the following accounts

| | | |
|---|---|---|
| FNB - Acc.no.71 26761 8613 - Subsidie Kerkstraat Investment | 99,979 | 94,395 |
| FNB - Acc.no.71 08730 6258 - Security Investment | 1,702,118 | 1,610,329 |
| | **1,802,097** | **1,704,724** |

16 **BIOLOGICAL ASSETS**

| | Quantity (Units) | Fair Value R | 2015 R | 2014 R |
|---|---|---|---|---|
| Springbuck | 202 | 650 | 131,300 | 154,830 |
| Ostrich | 3 | 500 | 1,500 | 1,350 |
| Blesbuck | 15 | 1,200 | 18,000 | 31,200 |
| Swart Wildebeest | 10 | 1,700 | 17,000 | 16,150 |
| Zebra | 0 | 3,500 | - | 4,100 |
| | | | 167,800 | 207,630 |

Fair value of biological assets is based on selling prices less costs to sell in an open active market. These prices were obtained from commercial hunters in the municipal area.

Reconciliation of fair value:

| | | |
|---|---|---|
| Opening Fair Value | 207,630 | 307,100 |
| Fair Value adjustments - Price changes | 68,420 | (107,470) |
| Fair Value adjustments - Physical changes | (108,250) | 8,000 |
| Closing Fair Value | **167,800** | **207,630** |

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

All biological assets are located in the Victoria West Nature Reserve. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 17 | **LONG-TERM RECEIVABLES** | | |
| | Officials' Housing Loans - At amortised cost | 55,409 | 55,409 |
| | Consumers and Rates | 845,004 | 1,276,753 |
| | Councillors Allowances | 55,858 | 55,858 |
| | | 956,271 | 1,388,020 |
| | Less: Provision for Impairment | (956,271) | (1,388,020) |
| | **Total Long Term Receivables** | - | - |

The carrying amount of these assets approximates their fair value.

The provision for Impairment could be allocated to the different classes of Long Term Receivables as follows:

| | | |
|---|---|---|
| Officials' Housing Loans - At amortised cost | 55,409 | 55,409 |
| Consumers and Rates | 845,004 | 1,276,753 |
| Councillors Allowances | 55,858 | 55,858 |
| Provision for impairment | **956,271** | **1,388,020** |

**HOUSING LOANS**

The housing loan is receivable from P Minies. Due to the lack of payments received, a council resolution was passed to institute legal actions against P Minies to collect the outstanding debt or possible eviction from the property. The entire balance have been impaired.

**CONSUMER AND RATES**

Consumer and rates receivables included under long-term debtors represent all balances for which the debtors has made arrangements to settle their balances beyond normal credit terms. Balances included in long term receivables were deferred for more than 12 months past year-end and the balances are fully impaired

**COUNCILLORS ALLOWANCES**

Outstanding balances relates mainly to former councillors. All balances relating to these councillors have been impaired.

| | | | |
|---|---|---|---|
| 18 | **INVENTORY** | | |
| | Water – at cost | 10,906 | 10,066 |
| | **Total Inventory** | **10,906** | **10,066** |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 19 | **RECEIVABLES FROM EXCHANGE TRANSACTIONS** | | |
| | Electricity | 3,093,898 | 2,209,605 |
| | Water | 25,325,159 | 17,666,267 |
| | Refuse | 8,958,623 | 7,541,538 |
| | Sewerage | 6,152,214 | 5,796,888 |
| | Other | 780,169 | 789,467 |
| | **Total Receivables from Exchange Transactions** | **44,310,062** | **34,003,765** |
| | Less: Allowance for Doubtful Debts | (41,660,426) | (32,226,958) |
| | **Total Net Receivables from Exchange Transactions** | **2,649,637** | **1,776,806** |

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Debtors with a total outstanding balance of R 897 115 (2014 - R 1 561 494) have arranged to settle their account over an re-negotiated period. Total payments to the value of R 603 768 (2014 - R 1 025 450) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

Interest on overdue balances are included at prime lending rate plus 1% where applicable

Ageing of Receivables from Exchange Transactions:

***(Electricity): Ageing***

| | | |
|---|---|---|
| Current (0 - 30 days) | 836,624 | 698,836 |
| 31 - 60 Days | 198,033 | 152,246 |
| 61 - 90 Days | 160,535 | 83,619 |
| + 90 Days | 1,898,706 | 1,274,904 |
| **Total** | **3,093,898** | **2,209,605** |

***(Water): Ageing***

| | | |
|---|---|---|
| Current (0 - 30 days) | 2,060,356 | 811,085 |
| 31 - 60 Days | 443,311 | 366,568 |
| 61 - 90 Days | 476,202 | 337,063 |
| + 90 Days | 22,345,291 | 16,151,551 |
| **Total** | **25,325,159** | **17,666,267** |

***(Refuse): Ageing***

| | | |
|---|---|---|
| Current (0 - 30 days) | 241,275 | 210,116 |
| 31 - 60 Days | 190,841 | 163,928 |
| 61 - 90 Days | 181,659 | 157,341 |
| + 90 Days | 8,344,847 | 7,010,153 |
| **Total** | **8,958,623** | **7,541,538** |

***(Sewerage): Ageing***

| | | |
|---|---|---|
| Current (0 - 30 days) | 232,809 | 183,731 |
| 31 - 60 Days | 177,113 | 136,180 |
| 61 - 90 Days | 166,185 | 132,342 |
| + 90 Days | 5,576,107 | 5,344,635 |
| **Total** | **6,152,214** | **5,796,888** |

| | 2015<br>R | 2014<br>R |
|---|---|---|
| ***(Other): Ageing*** | | |
| Current (0 - 30 days) | 8,440 | 8,387 |
| 31 - 60 Days | 8,422 | 8,312 |
| 61 - 90 Days | 8,422 | 8,312 |
| + 90 Days | 754,883 | 764,455 |
| **Total** | **780,169** | **789,467** |
| ***(Total): Ageing*** | | |
| Current (0 - 30 days) | 3,379,503 | 1,912,155 |
| 31 - 60 Days | 1,017,721 | 827,234 |
| 61 - 90 Days | 993,003 | 718,678 |
| + 90 Days | 38,919,834 | 30,545,698 |
| **Total** | **44,310,062** | **34,003,765** |
| **Reconciliation of Provision for Bad Debts** | | |
| Balance at beginning of year | 32,226,958 | 25,012,456 |
| Contribution to provision | 9,011,785 | 7,400,076 |
| Transferred to/from Long-Term Debtors | 421,682 | - |
| Bad Debts Written Off | - | (185,575) |
| **Balance at end of year** | **41,660,426** | **32,226,958** |

The Provision for Impairment could be allocated between the different classes of receivables as follows:

| | | |
|---|---|---|
| Electricity | 1,715,725 | 1,220,573 |
| Water | 20,606,021 | 17,086,301 |
| Refuse | 7,716,764 | 7,453,119 |
| Sewerage | 6,446,857 | 5,684,928 |
| VAT | 4,271,318 | |
| Other | 903,741 | 782,038 |
| | **41,660,426** | **32,226,958** |

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

## 20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Rates | 11,777,605 | 9,278,834 |
| Other Receivables | 95,275,871 | 54,621,988 |
| Accrued Fines | 94,400,021 | 53,943,968 |
| Fuel Deposits | 319,891 | 56,000 |
| Electricity Deposit Richmond | 30,718 | 30,718 |
| Payments in advance | 282,680 | 282,680 |
| Other Debtors | 155,634 | 221,695 |
| Accrued Interest | 86,927 | 86,927 |
| **Total Receivables from Non-Exchange Transactions** | **107,053,477** | **63,900,821** |
| Less: Allowance for Doubtful Debts | (81,838,048) | (45,362,347) |
| **Total Net Receivables from Non-Exchange Transactions** | **25,215,428** | **18,538,474** |

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Due to the prospective application of the revised IGRAP 1, the municipality raised a receivable as well as an impairment charge on unpaid fines in the current year. This also resulted in a significant increase in fines revenue recognised in the statement of financial performance when compared to the comparative year.

Debtors with a total outstanding balance of R 413 729 (2014 - R 455 423) have arranged to settle their account over an re-negotiated period. Total payments to the value of R 241 236 (2014 - R 251 303) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

Interest on overdue balances are included at prime lending rate plus 1% where applicable

Refer to note 17 for balances deferred beyond 12 months from year end.

Ageing of Receivables from Non-Exchange Transactions:

| | 2015<br>R | 2014<br>R |
|---|---|---|
| ***(Rates): Ageing*** | | |
| Current (0 - 30 days) | 476,752 | 391,066 |
| 31 - 60 Days | 871,051 | 311,072 |
| 61 - 90 Days | 569,092 | 297,728 |
| + 90 Days | 9,860,710 | 8,278,967 |
| **Total** | **11,777,605** | **9,278,834** |
| **Reconciliation of Provision for Bad Debts** | | |
| Balance at beginning of year | 45,362,347 | 8,227,880 |
| Contribution to provision | 36,465,634 | 37,151,253 |
| Transferred to/from Long-Term Debtors | 10,067 | - |
| Bad Debts Written Off | - | (16,785) |
| **Balance at end of year** | **81,838,048** | **45,362,347** |

The Provision for Impairment could be allocated between the different classes of receivables as follows:

| | | |
|---|---|---|
| Rates | 9,291,898 | 7,623,496 |
| Accrued Fines | 72,546,151 | 37,738,851 |
| | **81,838,048** | **45,362,347** |

Concentrations of credit risk with respect to receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

## 21 OPERATING LEASE ARRANGEMENTS

### 21.1 The Municipality as Lessee (Liability)

| | | |
|---|---|---|
| **Balance on 1 July** | 698 | 1,369 |
| Movement during the year | (698) | (672) |
| **Balance on 30 June** | **0** | **698** |

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

| | 2015<br>R | 2014<br>R |
|---|---|---|
| Up to 1 Year | - | 5,078 |
| 1 to 5 Years | - | - |
| **Total Operating Lease Arrangements** | **-** | **5,078** |

The total lease liability consist out of one agreement entered into with Pixley Ka Seme District Municipality. The municipality leases office space. The latest agreement was entered into on 1 March 2010 and expires on 28 February 2015. The initial rental amount in the contract is R 466.56 (Excluding VAT) with an escalation clause of 8% per annum.

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 21.2 | **The Municipality as Lessor (Asset)** | | |
| | **Balance on 1 July** | 62,415 | 98,256 |
| | Movement during the year | (18,107) | (35,841) |
| | **Balance on 30 June** | **44,308** | **62,415** |
| | At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows: | | |
| | Up to 1 Year | 104,611 | 108,985 |
| | 1 to 5 Years | 94,743 | 165,361 |
| | More than 5 Years | 5,688 | 11,376 |
| | **Total Operating Lease Arrangements** | **205,042** | **285,723** |
| | This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income. | | |
| | The leases are in respect of land and buildings being leased out for periods ranging until 2021. | | |
| 22 | **CASH AND CASH EQUIVALENTS** | | |
| | **Assets** | | |
| | Call Investments Deposits | 962,173 | 24,615 |
| | Bank Accounts | 1,354,959 | 821,685 |
| | Cash Floats | 2,400 | 2,400 |
| | **Total Cash and Cash Equivalents - Assets** | **2,319,533** | **848,700** |
| | **Liabilities** | | |
| | Primary Bank Account | 1,983,222 | 1,047,083 |
| | **Total Cash and Cash Equivalents - Liabilities** | **1,983,222** | **1,047,083** |
| | Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. | | |
| | Bank overdraft facility of R1 400 000 exists at FNB. | | |
| | The municipality has the following bank accounts: | | |
| | **Current Accounts** | | |
| | Victoria West FNB - Account Number 54 06233 8032 (Primary Bank Account): | (1,983,222) | (1,047,083) |
| | Richmond Standard Bank - Account Number 18 738 917 9 (Secondary Bank Account) | 466,366 | 89,163 |
| | Richmond Standard Bank - Account Number 08 319 266 2 (Traffic Account) | 888,594 | 732,522 |
| | | **(628,263)** | **(225,398)** |
| | ***Victoria West FNB - Account Number 54 06233 8032 (Primary Bank Account):*** | | |
| | Cash book balance at beginning of year | (1,047,083) | (1,211,708) |
| | Cash book balance at end of year | (1,983,222) | (1,047,083) |
| | Bank statement balance at beginning of year | (781,276) | 913,367 |
| | Bank statement balance at end of year | (835,463) | (781,276) |
| | ***Richmond Standard Bank - Account Number 18 738 917 9 (Secondary Bank Account)*** | | |
| | Cash book balance at beginning of year | 89,163 | 54,120 |
| | Cash book balance at end of year | 466,366 | 89,163 |
| | Bank statement balance at beginning of year | 89,163 | 37,143 |
| | Bank statement balance at end of year | 458,169 | 89,163 |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| | ***Richmond Standard Bank - Account Number 08 319 266 2 (Traffic Account)*** | | |
| | Cash book balance at beginning of year | 732,522 | 116,485 |
| | Cash book balance at end of year | 888,594 | 732,522 |
| | Bank statement balance at beginning of year | 739,572 | 118,985 |
| | Bank statement balance at end of year | 888,594 | 739,572 |
| | **Call Investment Deposits** | | |
| | Call investment deposits consist out of the following accounts: | | |
| | FNB - Acc.no.62 04611 0920 - Projek Biblioteek Investment | 117,185 | 1,024 |
| | FNB - Acc.no.62 05001 7021 - Equitable Share Investment | 1,018 | 1,008 |
| | FNB - Acc.no.62 05698 7088 - Projek Nasionale Tesourie Investment | 13,837 | 1,167 |
| | FNB - Acc.no.62 08647 7760 - Own Funds Investment | 6,943 | 7,702 |
| | FNB - Acc.no.62 08984 3744 - Project Consolidate MSIG Investment | 66,757 | 10,293 |
| | FNB - Acc.no.62 20922 9831 - MIG Fund | 397,524 | 1,008 |
| | FNB - Acc.no.62 24204 3892 - DME Project | 213,736 | 1,399 |
| | FNB - Acc.no.62 24730 1708 - Playground | 145,173 | 1,016 |
| | | 962,173 | 24,615 |
| 23 | **PROPERTY RATES** | | |
| | ***Actual*** | | |
| | **Rateable Land and Buildings** | 6,676,050 | 2,947,500 |
| | Residential, Commercial Property, State | 6,676,050 | 2,947,500 |
| | Less: Rebates | (673,839) | (505,730) |
| | **Total Assessment Rates** | **6,002,212** | **2,441,770** |
| | ***Valuations - 1 JULY 2009*** | | |
| | **Rateable Land and Buildings** | | |
| | Residential and Vacant Land | 218,915,800 | 168,274,400 |
| | Business & Commercial | 66,139,900 | 52,082,000 |
| | Government | 58,644,000 | 55,204,500 |
| | Exempt Properties | 50,198,800 | 31,916,500 |
| | Multiple Use Properties | - | 1,374,000 |
| | Agricultural | 2,765,889,050 | 2,350,942,700 |
| | **Total Assessment Rates** | **3,159,787,550** | **2,659,794,100** |
| | Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. | | |
| | **Rates:** | | |
| | Residential | 1.473 c/R | 1.390 c/R |
| | Commercial | 1.503 c/R | 1.417 c/R |
| | Agricultural | 0.00046 c/R | 0.127 c/R |
| | Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates. | | |
| | Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission. | | |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 24 | **GOVERNMENT GRANTS AND SUBSIDIES** | | |
| | **Unconditional Grants** | **21,614,000** | **19,400,000** |
| | Equitable Share | 21,614,000 | 19,400,000 |
| | **Conditional Grants** | **20,232,557** | **22,784,376** |
| | Grants and donations | 20,232,557 | 22,784,376 |
| | Subsidies | - | - |
| | **Total Government Grants and Subsidies** | **41,846,557** | **42,184,376** |
| | Government Grants and Subsidies - Capital | 15,083,537 | 12,069,660 |
| | Government Grants and Subsidies - Operating | 26,763,020 | 30,114,716 |
| | | **41,846,557** | **42,184,376** |
| | Revenue recognised per vote as required by Section 123 (c) of the MFMA | | |
| | Equitable share | 21,614,000 | 19,400,000 |
| | Executive & Council | - | - |
| | Budget & Treasury | 2,734,000 | 2,540,000 |
| | Corporate Services | - | - |
| | Planning & Development | 14,941,901 | 17,375,140 |
| | Community & Social Services | 736,955 | 636,139 |
| | Housing | - | - |
| | Public Safety | - | - |
| | Sport & Recreation | - | 97,284 |
| | Water | - | - |
| | Electricity | 1,297,429 | 2,135,813 |
| | | **41,846,557** | **42,184,376** |
| | The municipality does not expect any significant changes to the level of grants. | | |
| 24.01 | **Equitable share** | | |
| | Opening balance | - | - |
| | Grants received | 21,614,000 | 19,400,000 |
| | Conditions met - Operating | (21,614,000) | (19,400,000) |
| | Conditions still to be met | - | - |
| | The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. | | |
| 24.02 | **Local Government Financial Management Grant (FMG)** | | |
| | Opening balance | - | - |
| | Grants received | 1,800,000 | 1,650,000 |
| | Conditions met - Operating | (1,800,000) | (1,650,000) |
| | Conditions still to be met | - | - |
| | The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). | | |
| 24.03 | **Municipal Systems Improvement Grant** | | |
| | Opening balance | - | - |
| | Grants received | 934,000 | 890,000 |
| | Conditions met - Operating | (934,000) | (890,000) |
| | Conditions still to be met | - | - |
| | The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems. | | |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| **24.04** | **Municipal Infrastructure Grant (MIG)** | | |
| | Opening balance | 5,957,699 | 3,530,586 |
| | Grants received | 9,655,000 | 13,995,000 |
| | Paid Back to National Treasury | (4,446,000) | (3,532,000) |
| | Conditions met - Operating | (482,750) | (787,335) |
| | Conditions met - Capital | (10,442,094) | (7,248,553) |
| | Conditions still to be met | 241,855 | 5,957,699 |
| | The grant was used to upgrade infrastructure in previously disadvantaged areas. | | |
| **24.05** | **Department of Water Affairs** | | |
| | Opening balance | (31,067) | (31,067) |
| | Grants received | - | - |
| | Conditions met - Operating | - | - |
| | Conditions met - Capital | - | - |
| | Grant expenditure to be recovered | (31,067) | (31,067) |
| | The grant is utilised to promote the access to high quality water in the municipal area. | | |
| **24.06** | **Skills Development Fund** | | |
| | Opening balance | - | - |
| | Grants received | 15,588 | 82,303 |
| | Conditions met - Operating | (15,588) | (82,303) |
| | Conditions still to be met | - | - |
| | These funds are utilised to develop skills within the municipality. | | |
| **24.07** | **Library Fund** | | |
| | Opening balance | 212,164 | - |
| | Grants received | 854,000 | 766,000 |
| | Conditions met - Operating | (675,147) | (553,836) |
| | Conditions still to be met | 391,017 | 212,164 |
| | The grant was used to fund the operations and sundry capital requirements of the Libraries in the municipal area. | | |
| **24.08** | **Expanded Public Works Program (EPWP)** | | |
| | Opening balance | 221,793 | - |
| | Grants received | 1,000,000 | 4,000,000 |
| | Conditions met - Operating | (1,000,000) | (1,246,022) |
| | Conditions met - Capital | (522,272) | (2,532,185) |
| | Conditions still to be met | (300,479) | 221,793 |
| | This program is aimed at providing poverty and income relief through the creation of temporary work opportunities. | | |
| **24.09** | **Housing Grants** | | |
| | Opening balance | (49,186) | (415,901) |
| | Grants received | 3,337,798 | 5,927,760 |
| | Conditions met - Operating | (46,221) | (5,264,656) |
| | Conditions met - Capital | (2,821,743) | (296,389) |
| | Conditions still to be met | 420,648 | (49,186) |
| | This expenditure relates to a project funded by the department of Human Settlements and is aimed at providing services to 36 houses in Loxton. The funds relating to this project have not been received on 30 June 2015 | | |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 24.10 | **National Electrification Programme (INEP)** | | |
| | Opening balance | 464,187 | - |
| | Grants received | 1,500,000 | 2,600,000 |
| | Conditions met - Operating | - | (230,826) |
| | Conditions met - Capital | (1,297,429) | (1,904,988) |
| | Conditions still to be met | 666,757 | 464,187 |
| | The grant is utilised to upgrade electrical Infrastructure in the Municipal Area. | | |
| 24.11 | **Other Grants** | | |
| | Opening balance | 182,345 | 279,629 |
| | Grants received | 657,977 | - |
| | Conditions met - Operating | (195,314) | (9,738) |
| | Conditions met - Capital | - | (87,546) |
| | Conditions still to be met | 645,007 | 182,345 |
| | Various grants were received from other spheres of government. | | |
| 24.12 | **Total Grants** | | |
| | Opening balance | 6,957,934 | 3,363,246 |
| | Grants received | 41,368,362 | 49,311,063 |
| | Paid Back to National Treasury | (4,446,000) | (3,532,000) |
| | Conditions met - Operating | (26,763,020) | (30,114,716) |
| | Conditions met - Capital | (15,083,537) | (12,069,660) |
| | Conditions still to be met | **2,033,739** | **6,957,934** |
| | Disclosed as follows: | | |
| | Unspent Conditional Government Grants and Receipts | 2,371,937 | 7,396,155 |
| | Unpaid Conditional Government Grants and Receipts | (338,200) | (438,221) |
| | | **2,033,738** | **6,957,934** |
| 25 | **FINES** | | |
| | Traffic Fines | 48,364,793 | 52,442,385 |
| | Court Fines | 28,800 | 26,420 |
| | Library Fines | 4,747 | 4,712 |
| | | **48,398,340** | **52,473,517** |
| 26 | **SERVICE CHARGES** | | |
| | Electricity | 9,469,856 | 9,783,338 |
| | Water | 8,701,172 | 6,418,488 |
| | Refuse removal | 3,148,250 | 3,097,238 |
| | Sewerage and Sanitation Charges | 2,785,652 | 2,764,800 |
| | | 24,104,930 | 22,063,864 |
| | Less: Rebates | (3,745,501) | (3,625,488) |
| | **Total Service Charges** | **20,359,429** | **18,438,376** |
| | Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission. | | |
| 27 | **OTHER INCOME** | | |
| | Sundry income | 520,882 | 244,160 |
| | Sale of Game | 217,170 | - |
| | **Total Other Income** | **738,052** | **244,160** |
| | Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) an fees for items not included under service charges (camping, fire brigade and impounding fees) | | |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 28 | **FAIR VALUE ADJUSTMENTS** | | |
| | Biological Assets | 39,830 | 99,470 |
| | | 39,830 | 99,470 |
| 29 | **EMPLOYEE RELATED COSTS** | | |
| | Bargaining Council Levy | 13,194 | 13,290 |
| | Bonus | 739,314 | 938,431 |
| | Performance Bonus | 416,291 | 416,291 |
| | Contributions for UIF, pensions and medical aids | 3,681,274 | 3,298,944 |
| | Group Life Insurance | 2,247 | 2,247 |
| | Housing Subsidy | 31,757 | 30,477 |
| | Leave Reserve Fund | 217,501 | 138,784 |
| | Long service awards | 91,190 | 75,483 |
| | Overtime | 1,952,291 | 1,489,401 |
| | Post Employment Health | 171,727 | 230,140 |
| | Salaries and Wages | 18,220,285 | 16,760,700 |
| | Travel, motor car, telephone, assistance and other allowances | 1,239,757 | 1,338,145 |
| | **Total Employee Related Costs** | **26,776,828** | **24,732,334** |

**KEY MANAGEMENT PERSONNEL**

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

| | | |
|---|---|---|
| ***Remuneration of the Municipal Manager - Mr M F Fillis*** | | |
| Annual Remuneration | 684,561 | 641,035 |
| Performance Bonuses | - | 127,140 |
| Travelling Allowance | 187,998 | 176,044 |
| Telephone allowance | 5,985 | 5,605 |
| Contributions to UIF, Medical, Pension Funds and Bargaining Council | 123,063 | 181,289 |
| **Total** | **1,001,607** | **1,131,112** |
| ***Remuneration of the Director Infrastructure and Technical Services - Mr Zingange*** | | |
| Annual Remuneration | 537,482 | 503,308 |
| Performance Bonuses | - | 93,406 |
| Travelling Allowance | 163,224 | 152,846 |
| Telephone allowance | 7,773 | 7,278 |
| Contributions to Medical and Pension Funds | 111,689 | 104,587 |
| **Total** | **820,168** | **861,425** |
| ***Remuneration of the Director Corporate Services - Mr Jacobs*** | | |
| Annual Remuneration | 457,115 | 417,022 |
| Performance Bonuses | - | 85,357 |
| Travelling Allowance | 77,726 | 86,427 |
| Telephone allowance | 4,424 | 4,918 |
| Contributions to Medical and Pension Funds | 23,186 | 77,762 |
| **Total** | **562,450** | **671,487** |
| ***Remuneration of the Director Financial Services - Me Plaatjies*** | | |
| Annual Remuneration | 107,177 | 602,175 |
| Performance Bonuses | - | 110,389 |
| Travelling Allowance | 31,198 | 175,285 |
| Telephone allowance | 1,295 | 7,278 |
| Contributions to Medical and Pension Funds | 29,729 | 168,120 |
| **Total** | **169,400** | **1,063,247** |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 30 | **REMUNERATION OF COUNCILLORS** | | |
| | Mayor | 592,265 | 669,254 |
| | Councillors | 1,928,092 | 1,690,231 |
| | **Total Councillors' Remuneration** | **2,520,357** | **2,359,485** |
| | **Remuneration per Councillor** | | |
| | Cllr K.J Rigard (Mayor) | 592,265 | 669,254 |
| | Cllr K.J Arens | 402,716 | 264,524 |
| | Cllr A.Verwey | 236,603 | 211,481 |
| | Cllr J.C Pieterse | 283,482 | 264,524 |
| | Cllr C.C Jantjies | 283,482 | 264,524 |
| | Cllr B.J Bruwer | 253,553 | 246,311 |
| | Cllr S.C Jordaan | 241,958 | 232,886 |
| | Cllr K.V De Bruin | 226,297 | 205,981 |
| | | **2,520,357** | **2,359,485** |
| | ***In-kind Benefits*** | | |
| | The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council. | | |
| 31 | **DEBT IMPAIRMENT** | | |
| | Long term Receivables - Note 17 | (431,749) | 274,304 |
| | Trade Receivables from exchange transactions - Note 19 | 9,433,467 | 7,400,076 |
| | Trade Receivables from non-exchange transactions - Note 20 | 36,475,701 | 37,151,253 |
| | **Total Contribution to Debt Impairment** | **45,477,419** | **44,825,633** |
| 32 | **DEPRECIATION AND AMORTISATION** | | |
| | Property Plant and Equipment | 5,932,414 | 5,899,918 |
| | Investment Property | 24,516 | 24,516 |
| | Intangible Assets | 12,817 | 13,265 |
| | Landfill sites | 146,550 | 10,968 |
| | | **6,116,296** | **5,948,666** |
| 33 | **IMPAIRMENTS** | | |
| | Landfill Sites | (234) | (75) |
| | | (234) | (75) |
| 34 | **FINANCE CHARGES** | | |
| | Long-term Liabilities | 389,659 | 69,338 |
| | DBSA normal | 389,659 | 69,338 |
| | DBSA arrears | - | - |
| | Finance leases | 149,772 | 65,371 |
| | Creditors | 518,564 | 18,339 |
| | Bank Overdraft | 26,565 | 35,760 |
| | Post Employment Health | 565,014 | 510,402 |
| | Long service awards | 72,065 | 54,360 |
| | Landfill Sites | 187,565 | 146,783 |
| | **Total finance charges** | **1,909,204** | **900,353** |
| 35 | **BULK PURCHASES** | | |
| | Electricity | 12,947,633 | 12,169,045 |
| | Water | 609,069 | 613,606 |
| | **Total Bulk Purchases** | **13,556,702** | **12,782,651** |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| 36 | **GENERAL EXPENSES** | | |
| | Audit Fees | 1,641,652 | 775,394 |
| | Advertising | 73,403 | 78,252 |
| | Bank Charges | 238,136 | 333,694 |
| | Job Creation | 1,294,641 | 987,808 |
| | Entertainment Expenses | - | 102,612 |
| | Professional Fees | 192,000 | - |
| | Membership Fees | 425,439 | 707,066 |
| | Fuel Cost | 573,483 | 1,175,310 |
| | Free Paraffin Hampers | 172,263 | 195,115 |
| | Legal Cost | 346,926 | 10,112 |
| | License Fees | 75,075 | 315,617 |
| | Insurance | 318,590 | 288,318 |
| | Penalties | 232,317 | 6,253 |
| | Paupers Funerals | 7,500 | 23,650 |
| | Printing and stationery | 232,766 | 347,133 |
| | Safety clothes | 73,557 | 129,378 |
| | Tyres | 2,268 | 19,671 |
| | Skills development levy | 228,077 | 491,667 |
| | Telephone | 262,362 | 253,468 |
| | Training | 23,585 | 131,610 |
| | Travel and subsistence | 853,515 | 1,051,010 |
| | Water Research | 145,134 | 121,611 |
| | Other | 226,966 | 201,035 |
| | General Expenses | **7,639,654** | **7,745,783** |

| | | | |
|---|---|---|---|
| 37 | **RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS** | | |
| | Surplus/(Deficit) for the year | 7,872,714 | 3,901,921 |
| | **Adjustments for:** | | |
| | Depreciation | 6,103,480 | 5,935,401 |
| | Amortisation of Intangible Assets | 12,817 | 13,265 |
| | Loss on disposal of property, plant and equipment | - | 652,957 |
| | Debt Impairment - Receivables | 45,909,168 | 44,551,329 |
| | Debt Impairment - Long term receivables | (431,749) | 274,304 |
| | Contribution to staff leave | 113,869 | (46,765) |
| | Contribution to staff bonuses | 145,970 | 39,651 |
| | Contribution to employee benefits | 495,611 | 497,268 |
| | Actuarial Gains | (750,337) | 83,676 |
| | Contribution to provision - Landfill Site | 187,565 | 146,783 |
| | Fair Value Adjustments | 39,830 | 99,470 |
| | Impairment written off | (234) | (75) |
| | Grants Received | 36,922,362 | 45,779,063 |
| | Grant Expenditure | (41,846,557) | (42,184,376) |
| | Operating lease income accrued | 18,107 | 35,841 |
| | Operating lease expenses accrued | (698) | (672) |
| | Operating Surplus before changes in working capital | 54,765,418 | 59,779,040 |
| | Changes in working capital | (42,941,152) | (47,599,269) |
| | Increase/(Decrease) in Payables from exchange transactions | 10,813,743 | (438,740) |
| | Movement in Taxes | (295,102) | 1,020,832 |
| | Decrease in Inventory | (840) | (1,781) |
| | Increase in Receivables from exchange and non-exchange | (53,458,953) | (48,179,580) |
| | **Cash generated by operations** | **11,824,265** | **12,179,771** |

| | | 2015 R | 2014 R |
|---|---|---|---|
| 38 | **CASH AND CASH EQUIVALENTS** | | |
| | Cash and cash equivalents included in the cash flow statement comprise the following: | | |
| | Call Investments Deposits - Note 22 | 962,173 | 24,615 |
| | Cash Floats - Note 22 | 2,400 | 2,400 |
| | Bank - Note 22 | 1,354,959 | 821,685 |
| | Bank overdraft - Note 22 | (1,983,222) | (1,047,083) |
| | **Total cash and cash equivalents** | **336,310** | **(198,383)** |
| 39 | **RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES** | | |
| | Cash and Cash Equivalents - Note 38 | 336,310 | (198,383) |
| | Investments - Note 15 | 1,802,097 | 1,704,724 |
| | | 2,138,408 | 1,506,341 |
| | Less: | 2,371,937 | 7,396,155 |
| | Unspent Committed Conditional Grants - Note 9 | 2,371,937 | 7,396,155 |
| | **Resources available/(required) for working capital requirements** | **(233,529)** | **(5,889,814)** |
| 40 | **UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION** | | |
| | Long-term Liabilities - Note 2 | 1,163,202 | 1,634,599 |
| | Used to finance property, plant and equipment - at cost | (1,163,202) | (1,634,599) |
| | | - | - |
| | Cash set aside for the repayment of long-term liabilities | - | - |
| | **Cash invested for repayment of long-term liabilities** | **-** | **-** |
| | Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. | | |
| 41 | **UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE** | | |
| 41.1 | **Unauthorised expenditure** | | |
| | Reconciliation of unauthorised expenditure: | | |
| | Opening balance | 90,760,230 | 44,574,819 |
| | Unspent grant funding utilised to fund operating expenditure - refer to note 39 | 233,529 | 5,889,814 |
| | Unauthorised expenditure current year - operating | 31,312,806 | 33,938,655 |
| | Unauthorised expenditure current year - capital | 805,156 | 6,356,943 |
| | Unauthorised expenditure awaiting authorisation | **123,111,722** | **90,760,230** |

| Incident | Disciplinary steps/criminal proceedings |
|---|---|
| *Over expenditure on votes* | *None* |

| Operating Expenditure by Vote | 2015 R (Actual) | 2015 R (Budget) | 2015 R (Variance) | 2015 R (Unauthorised) |
|---|---|---|---|---|
| Executive & Council | 5,798,001 | 5,595,468 | 202,533 | 202,533 |
| Budget & Treasury | 12,159,608 | 16,749,946 | (4,590,338) | - |
| Planning & Development | 11,160,190 | 11,226,089 | (65,899) | - |
| Community & Social Services | 51,091,693 | 27,168,052 | 23,923,642 | 23,923,642 |
| Public Safety | 17,474 | 133,000 | (115,526) | - |
| Sport & Recreation | - | 11,000 | (11,000) | - |
| Waste Management | 9,926,261 | 9,617,164 | 309,097 | 309,097 |
| Water | 8,899,696 | 4,160,204 | 4,739,493 | 4,739,493 |
| Electricity | 15,387,722 | 13,249,680 | 2,138,042 | 2,138,042 |
| | **114,440,645** | **87,910,603** | **26,530,042** | **31,312,806** |

| Capital expenditure by vote | 2015 R (Actual) | 2015 R (Budget) | 2015 R (Variance) | 2015 R (Unauthorised) |
|---|---|---|---|---|
| Planning & Development | 780,347 | 1,500,000 | (719,653) | - |
| Waste Management | 10,460,156 | 9,655,000 | 805,156 | 805,156 |
| | **11,240,504** | **11,155,000** | **85,504** | **805,156** |

## 41.2 Fruitless and wasteful expenditure

| | 2015 R | 2014 R |
|---|---|---|
| Reconciliation of fruitless and wasteful expenditure: | | |
| Opening balance | 1,515,027 | 1,460,875 |
| Fruitless and wasteful expenditure current year | 777,446 | 54,152 |
| Fruitless and wasteful expenditure awaiting further action | **2,292,473** | **1,515,027** |

| Incident | Disciplinary steps/criminal proceedings | | |
|---|---|---|---|
| *Interest on late payment of creditors and bank overdraft* | *None* | 545,129 | 54,100 |
| *SARS penalties* | *None* | 232,317 | 52 |
| *Interest on arrear portion of long term liabilities* | *None* | - | - |
| | | 777,446 | 54,152 |

## 41.3 Irregular expenditure

| | | |
|---|---|---|
| Reconciliation of irregular expenditure: | | |
| Opening balance | 36,744,723 | 24,067,349 |
| Irregular expenditure current year | 5,795,916 | 12,677,374 |
| Irregular expenditure awaiting further action | **42,540,639** | **36,744,723** |

| Incident | Disciplinary steps/criminal proceedings | | |
|---|---|---|---|
| *Non-compliance with Supply Chain Management Policy - Sufficient Quotations MBD forms and tax clearance certificates not obtained.* | *None* | - | 997,412 |
| *Shortcomings in personnel resulting in bid commitees not complete* | *None* | 5,795,916 | 10,347,187 |
| *Tenders Awarded in term of Section 32 of Supply Chain Management Act (Mubesko Africa)* | *None* | - | 320,242 |
| *Appointment of Director Corporate Services (Mr Jacobs) not in line with section 56 (3) & (4) of the Municipal System Act.(Excluding Performance bonus)* | *None* | - | 586,130 |
| *Performance bonuses paid without adequate performance management process in place* | *None* | - | 416,292 |
| *Non-compliance with Supply Chain Management Regulations - Required procedures not followed to procure the services of legal advisors.* | *None* | - | 10,112 |
| | | **5,795,916** | **12,677,374** |

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

| 41.4 Material Losses | 2015 | 2014 |
|---|---|---|
| **Water distribution losses** | | |
| - Kilo litres disinfected/purified/purchased | 923,915 | 780,926 |
| - Kilo litres lost during distribution | 211,990 | 81,824 |
| - Percentage lost during distribution | 22.94% | 10.48% |
| **Electricity distribution losses** | | |
| - Units purchased (Kwh) | 12,527,673 | 13,142,030 |
| - Units lost during distribution (Kwh) | 2,984,400 | 3,131,350 |
| - Percentage lost during distribution | 23.82% | 23.83% |

**41.5 Other Non-Compliance (MFMA 125(2)(e) and (f))**

-

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

- Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

- Amounts outstanding regarding organs of state for periods exceeding 30 days are not reported to National Treasury on an individual debtors basis, therefore it is not reported immediately as required by section 64 (3) of the MFMA.

- The municipality did not comply with the requirements of section 166 of the MFMA regarding the duties and responsibilities of the Audit Committee.

- The municipality did not comply with the requirements of section 64 (3) of the MFMA. The accounting officer must immediately inform the National Treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

- The municipality did not fully disclosed zero rated supplies on the VAT 201 forms during the year under review, resulting in non-compliance with the VAT Act. This non-compliance did not result in any discrepancies with regards to the amount payable to/refundable from SARS.

| 42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT | 2015 R | 2014 R |
|---|---|---|
| **42.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS** | | |
| Opening balance | - | - |
| Council subscriptions | 250,000 | 312,329 |
| Amount paid - current year | (250,000) | (312,329) |
| **Balance unpaid (included in creditors)** | - | - |
| **42.2 Audit fees - [MFMA 125 (1)(c)]** | | |
| Opening balance | - | 425,984 |
| Current year audit fee | 1,353,652 | 775,394 |
| External Audit - Auditor-General | 1,353,652 | 775,394 |
| Internal Audit | - | - |
| Amount paid - current year | (1,353,652) | (775,394) |
| Amount paid - previous year | - | (425,984) |
| **Balance unpaid (included in creditors)** | - | - |
| **42.3 VAT - [MFMA 125 (1)(c)]** | | |
| Opening balance | (162,154) | 418,662 |
| Amounts received - current year | (997,559) | (1,864,622) |
| Amounts received - previous years | - | (418,662) |
| Amounts claimed - current year | 1,165,143 | 1,870,052 |
| Amounts payable - current year | (321,170) | (167,584) |
| Outstanding penalties and interest | - | - |
| **Closing balance - Receivable/(Payable)** | **(315,740)** | **(162,154)** |

| | | 2015<br>R | 2014<br>R |
|---|---|---|---|
| | Vat in suspense due to cash basis of accounting | | |
| | Input VAT | 2,100,278 | 456,985 |
| | Output VAT | (3,995,648) | (2,470,038) |
| | Payable | **(1,895,371)** | **(2,013,054)** |

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

**42.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]**

| | | |
|---|---|---|
| Opening balance | 257,181 | 238,070 |
| Current year payroll deductions and Council Contributions | 3,409,074 | 3,388,184 |
| Amount paid - current year | (3,666,255) | (3,369,073) |
| **Balance unpaid (included in creditors)** | **-** | **257,181** |

**42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]**

| | | |
|---|---|---|
| Opening balance | 456,376 | 440,377 |
| Current year payroll deductions and Council Contributions | 4,660,919 | 5,478,077 |
| Amount paid - current year | (5,117,295) | (5,462,078) |
| **Balance unpaid (included in creditors)** | **-** | **456,376** |

**42.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2015:

| | Outstanding more than 90 days | Outstanding more than 90 days |
|---|---|---|
| Cllr SC Jordaan | 1,230 | 262 |
| Cllr A.Verwey | - | - |
| Cllr J.C Pieterse | - | - |
| Cllr KJ Arens | - | 275 |
| Cllr CC Jantjies | 6,610 | 298 |
| Cllr K.J Rigard (Mayor) | - | 662 |
| **Total Councillor Arrear Consumer Accounts** | **7,840** | **1,497** |

**43 CAPITAL COMMITMENTS**

| | | |
|---|---|---|
| **Commitments in respect of capital expenditure:** | | |
| Approved and contracted for: | 5,520,798 | 12,723,000 |
| Total commitments consist out of the following: | | |
| - High Mast Lightning | - | 1,600,000 |
| - Bulk Water Supply | - | 4,083,763 |
| - Upgrading of Streets | 2,000,536 | 3,971,237 |
| - Eradication of Buckets | 3,520,262 | 3,068,000 |
| | **5,520,798** | **12,723,000** |
| This expenditure will be financed from: | | |
| Government Grants | 5,520,798 | 12,723,000 |
| | **5,520,798** | **12,723,000** |

## 44 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk, foreign exchange currency risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

### Market Risks

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

| | 2015<br>R | 2014<br>R |
|---|---|---|
| The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow: | | |
| 1% (2014 - 1%) Increase in interest rates | (26,164) | (31,228) |
| 0% (2014 - 0%) Decrease in interest rates | - | - |

Due to the fact that the South African economy is in an upward interest rate cycle, there are no expectation for a decrease in interest rates on 30 June 2014 and 30 June 2015.

### Other Risks

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

| | 2015 % | 2015 R | 2014 % | 2014 R |
|---|---|---|---|---|
| Non-Exchange Receivables (including long term receivables) | | | | |
| Rates | 100.00% | 9,291,898 | 100.00% | 1,292,971 |
| Exchange Receivables (including long term receivables) | | | | |
| Electricity | 67.48% | 1,137,972 | 64.28% | 363,609 |
| Water | 108.76% | 1,834,294 | 18.30% | 103,493 |
| Refuse | 9.58% | 161,512 | 4.25% | 24,057 |
| Sewerage | -70.99% | (1,197,203) | 8.57% | 48,464 |
| Other | -14.83% | (250,097) | 4.60% | 26,011 |
| | 100.00% | 1,686,479 | 100.00% | 565,634 |

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

| | 2015 % | 2015 R | 2014 % | 2014 R |
|---|---|---|---|---|
| Non-Exchange Receivables | | | | |
| Rates | 11.35% | 9,291,898 | 16.81% | 7,623,496 |
| Accrued Fines | 88.65% | 72,546,151 | 83.19% | 37,738,851 |
| | 100.00% | 81,838,048 | 100.00% | 45,362,347 |
| Exchange Receivables | | | | |
| Electricity | 4.59% | 1,715,725 | 3.79% | 1,220,573 |
| Water | 55.11% | 20,606,021 | 53.02% | 17,086,301 |
| Refuse | 20.64% | 7,716,764 | 23.13% | 7,453,119 |
| Sewerage | 17.24% | 6,446,857 | 17.64% | 5,684,928 |
| Other | 2.42% | 903,741 | 2.43% | 782,038 |
| | 100.00% | 37,389,108 | 100.00% | 32,226,958 |

| Bad debts written off per debtor class: | 2015 % | 2015 R | 2014 % | 2014 R |
|---|---|---|---|---|
| Non-Exchange Receivables | | | | |
| Rates | 100.00% | - | 100.00% | 16,785 |
| Exchange Receivables | | | | |
| Water | 0.00% | - | 47.83% | 88,756 |
| Refuse | 0.00% | - | 26.59% | 49,342 |
| Sewerage | 0.00% | - | 25.58% | 47,477 |
| | 0.00% | - | 100.00% | 185,575 |

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Investments to the value of R 1 400 000 were held as security for the overdraft facility at FNB. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

| Financial assets exposed to credit risk at year end are as follows: | 2015 R | 2014 R |
|---|---|---|
| Long term receivables | - | - |
| Receivables from exchange transactions | 2,649,637 | 1,776,806 |
| Receivables from non-exchange transactions | 94,993,191 | 54,339,308 |
| Cash and Cash Equivalents | 2,319,533 | 848,700 |
| Non-Current Investments | 1,802,097 | 1,704,724 |
| Unpaid conditional grants and subsidies | 338,200 | 438,221 |
| | 102,102,658 | 59,107,758 |

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| 2015 | Less than 1 year | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
|---|---|---|---|---|
| Long Term liabilities - Annuity Loans | 303,641 | 607,249 | - | - |
| Capital repayments | 246,587 | 550,196 | - | - |
| Interest | 57,054 | 57,054 | - | - |
| Long Term liabilities - Finance Lease Liability | 288,000 | 29,297 | - | - |
| Capital repayments | 266,357 | 74,357 | - | - |
| Interest | 21,643 | (45,060) | - | - |
| Provisions - Landfill Sites | 2,956,774 | 1,306,661 | - | - |
| Capital repayments | 2,809,286 | 1,120,719 | - | - |
| Interest | 147,488 | 185,942 | - | - |
| Payables from exchange transactions | 20,036,463 | - | - | - |
| Unspent conditional government grants and receipts | 2,371,937 | - | - | - |
| Cash and Cash Equivalents | 1,983,222 | - | - | - |
| | 27,940,036 | 1,943,208 | - | - |

| 2014 | Less than 1 year | Between 1 and 5 years | Between 5 and 10 years | Over 10 Years |
|---|---|---|---|---|
| Long Term liabilities - Annuity Loans | 303,641 | 910,890 | - | - |
| Capital repayments | 227,883 | 802,619 | - | - |
| Interest | 75,758 | 108,271 | - | - |
| Long Term liabilities - Finance Lease Liability | 288,000 | 384,000 | - | - |
| Capital repayments | 243,514 | 360,584 | - | - |
| Interest | 44,486 | 23,416 | - | - |
| Provisions - Landfill Sites | 2,686,579 | 1,242,198 | - | - |
| Capital repayments | 2,558,647 | 1,021,959 | - | - |
| Interest | 127,932 | 220,239 | - | - |
| Payables from exchange transactions | 7,111,523 | - | - | - |
| Unspent conditional government grants and receipts | 7,396,155 | - | - | - |
| Cash and Cash Equivalents | 1,047,083 | - | - | - |
| | 18,832,981 | 2,537,088 | - | - |

| | | | 2015<br>R | 2014<br>R |
|---|---|---|---|---|
| 45 | **FINANCIAL INSTRUMENTS** | | | |
| | In accordance with GRAP 104 the financial instruments of the municipality are classified as follows: | | | |
| 45.1 | **Financial Assets** | **Classification** | | |
| | **Investments** | | | |
| | Fixed Deposits | Financial instruments at amortised cost | 1,802,097 | 1,704,724 |
| | **Long-term Receivables** | | | |
| | Councillor Allowances | Financial instruments at amortised cost | - | - |
| | **Receivables** | | | |
| | Receivables from exchange transactions | Financial instruments at amortised cost | 2,649,637 | 1,776,806 |
| | Receivables from non-exchange transactions | Financial instruments at amortised cost | 94,993,191 | 54,339,308 |
| | **Other Receivables** | | | |
| | Government Subsidies and Grants | Financial instruments at amortised cost | 338,200 | 438,221 |
| | **Short-term Investment Deposits** | | | |
| | Call Deposits | Financial instruments at amortised cost | 962,173 | 24,615 |
| | **Bank Balances and Cash** | | | |
| | Bank Balances | Financial instruments at amortised cost | 1,354,959 | 821,685 |
| | Cash Floats and Advances | Financial instruments at amortised cost | 2,400 | 2,400 |
| | | | **102,102,658** | **59,107,758** |

| | | | 2015 R | 2014 R |
|---|---|---|---|---|
| | **SUMMARY OF FINANCIAL ASSETS** | | | |
| | Financial instruments at amortised cost | | 102,102,658 | 59,107,758 |
| | **At amortised cost** | | **102,102,658** | **59,107,758** |
| 45.2 | **Financial Liability** | **Classification** | | |
| | **Non-Current Liabilities** | | | |
| | Annuity Loans | Financial instruments at amortised cost | 556,032 | 802,619 |
| | Capitalised Lease Liability | Financial instruments at amortised cost | 94,227 | 360,583 |
| | Non-Current Provisions - Landfill Sites | Financial instruments at amortised cost | 1,120,719 | 1,022,079 |
| | **Payables from exchange transactions** | | | |
| | Trade creditors | Financial instruments at amortised cost | 17,112,638 | 5,898,715 |
| | Arrear portion of long term liabilities | Financial instruments at amortised cost | 314,281 | 10,640 |
| | Retentions | Financial instruments at amortised cost | - | - |
| | Deposits | Financial instruments at amortised cost | 92,232 | 92,444 |
| | Other | Financial instruments at amortised cost | 1,885,681 | 478,092 |
| | **Current Provisions** | | | |
| | Current Provisions - Landfill Sites | Financial instruments at amortised cost | 2,809,286 | 2,558,527 |
| | **Other Payables** | | | |
| | Government Subsidies and Grants | Financial instruments at amortised cost | 2,371,937 | 7,396,155 |
| | **Current Portion of Long-term Liabilities** | | | |
| | Annuity Loans | Financial instruments at amortised cost | 246,587 | 227,883 |
| | Capitalised Lease Liability | Financial instruments at amortised cost | 266,357 | 243,514 |
| | **Bank Overdraft** | | | |
| | Primary Bank account | Financial instruments at amortised cost | 1,983,222 | 1,047,083 |
| | | | **28,853,198** | **20,138,335** |
| | **SUMMARY OF FINANCIAL LIABILITY** | | | |
| | Financial instruments at amortised cost | | **28,853,198** | **20,138,335** |

**46 EVENTS AFTER THE REPORTING DATE**

None

**47 IN-KIND DONATIONS AND ASSISTANCE**

The municipality received donation to the value of R 699 from Besters Garage.

**48 PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**49 CONTINGENT LIABILITY**

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

A Claim was lodged against the municipality by Mr AM Conroy, due to an dispute over an account for the provision of water. If successful, the municipality will be liable for an amount of R 316 741 (2012 - R94 144) plus interest.

Guarantee in favour of Mineral Resources amounting to R 4 000 (2014 - R 4 000)

## 50 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

### 50.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 17 to the Annual Financial Statements.

### 50.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

### 50.3 Other related party transactions

Included in other receivablesreceivables are outanding money to be recovered from Councillors due to an over payments relating to the Cape Joint Pension Fund:

| | 2015 R | 2014 R |
|---|---|---|
| Cllr B.J Bruwer | - | 1,813 |
| Cllr BS.C Jordaan | 1,230 | - |
| Cllr J.C Pieterse | - | 5,916 |
| Cllr KJ Arens | - | 5,916 |
| Cllr CC Jantjies | - | 5,916 |
| Cllr K.J Rigard (Mayor) | 6,610 | 19,178 |
| | **7,840** | **38,740** |

## 51 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

**Financial Indicators**

Current Liabilities exceeds current assets with the current ratio being 0.93:1 (2014 - 0.84:1)
The increase can mainly be attributed to the prospective implementation of IGRAP 1.

The debtors' impairment ratio (Excuding fines) decreased to 91% from the previous year's 92%. This is still considered to be very high

A bank overdraft facility is utilised amounting to R 1 400 000.

The municipality is in arrears with the Development Bank of South Africa to an amount of R 10 640 (2014 - R 10 640)
The municipality restructured the DBSA loan in the current year to ensure repayments are affordable.

**Other Indicators**

Possible outflow of recources due the contingent liabilities disclosed in note 49

**Actions taken by Council**

Council is continuously exploring avenues to increase the revenue base and improve the credit control measures of the municipality to address the negative indicators above and cash flow challenges.

Due to the revised calculation for Equitable Share allocation, the municipality is also expected to receive an increased allocation over the MTREF period amounting to the following:

| | 2015 R (Baseline) | 2016 R (DORA Allocation) | 2017 R (DORA Allocation) |
|---|---|---|---|
| Equitable Share | 21,614,000 | 25,241,000 | 26,260,000 |
| % Increase | 0% | 16.78% | 4.04% |

These increases are well above the inflation targets of the South African Reserve Bank and will assist the municipality in resolving its cash flow constraints.

APPENDIX A - Unaudited
UBUNTU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

| EXTERNAL LOANS | Rate | Loan Number | Redeemable | Balance at 30 JUNE 2014 | Correction | Balance at 30 JUNE 2014 Restated | Received during the period | Restructured during the period | Redeemed written off during the period | Balance at 30 JUNE 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **ANNUITY LOANS** | | | | | | | | | | |
| DBSA-Sewerage Richmond (Restructured) | 8.00% | 12692/101 | 30/06/2018 | 1,030,502 | | 1,030,502 | - | - | 227,883 | 802,619 |
| **Total Annuity Loans** | | | | 1,030,502 | - | 1,030,502 | - | - | 227,883 | 802,619 |
| **LEASE LIABILITY** | | | | | | | | | | |
| Nashua | 9.00% | Nashua | 31/10/2016 | 604,097 | - | 604,097 | - | - | 243,514 | 360,583 |
| **Total Lease Liabilities** | | | | 604,097 | - | 604,097 | - | | 243,514 | 360,583 |
| **TOTAL EXTERNAL LOANS** | | | | 1,634,599 | - | 1,634,599 | - | - | 471,397 | 1,163,202 |

APPENDIX B - Unaudited

UBUNTU LOCAL MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

MUNICIPAL VOTES CLASSIFICATION

| 2014 Actual Income R | 2014 Actual Expenditure R | 2014 Surplus/ (Deficit) R | | 2015 Actual Income R | 2015 Actual Expenditure R | 2015 Surplus/ (Deficit) R |
|---|---|---|---|---|---|---|
| - | - | - | Health Services | - | - | - |
| 17,387,416 | (10,674,125) | 6,713,291 | Public Works | 14,974,861 | (8,557,301) | 6,417,560 |
| 53,544,866 | (50,111,176) | 3,433,690 | Licences | 49,242,906 | (45,776,883) | 3,466,023 |
| 90,350 | (4,188,646) | (4,098,296) | Administration | 19,255 | (4,262,367) | (4,243,111) |
| 13,082 | - | 13,082 | Cemetries | 12,840 | - | 12,840 |
| - | (2,637,238) | (2,637,238) | Roads and Stormwater Drainage | - | (2,602,906) | (2,602,906) |
| - | (99,470) | (99,470) | Nature Reserve | 217,170 | (39,830) | 177,340 |
| - | - | - | Aerodome | - | - | - |
| 7,321 | (5,534,985) | (5,527,664) | Council General Expenses | 288,554 | (5,682,830) | (5,394,275) |
| 9,425 | (633,685) | (624,260) | Abbatoir | 6,423 | - | 6,423 |
| 2,441,770 | (7,086,782) | (4,645,012) | Property Tax | 6,002,212 | (2,106,007) | 3,896,204 |
| 238 | (1,689,806) | (1,689,567) | Management Services | 20 | (1,499,485) | (1,499,465) |
| 24,158,168 | (7,869,023) | 16,289,144 | Finance | 28,310,867 | (8,514,285) | 19,796,581 |
| - | (50,270) | (50,270) | Fire Brigade | 42,466 | (17,474) | 24,993 |
| 558,548 | (936,501) | (377,953) | Library | 726,115 | (1,052,444) | (326,329) |
| 100,197 | (750) | 99,447 | Parks and Recreation | 2,624 | - | 2,624 |
| - | - | - | Grants and subsidies | - | - | - |
| 1,505,221 | (3,829,976) | (2,324,755) | Sewerage and Sanitation | 2,314,720 | (5,928,199) | (3,613,479) |
| 301,055 | (185,853) | 115,202 | Buildings and Offices | 230,086 | (115,171) | 114,914 |
| 44,717 | - | 44,717 | Commonage | 36,116 | - | 36,116 |
| - | - | - | Sunrise | - | 17 | 17 |
| - | - | - | Masinyusane | - | - | - |
| 2,018,836 | (2,238,109) | (219,273) | Cleansing | 2,127,557 | (3,998,061) | (1,870,505) |
| 11,307,244 | (14,038,232) | (2,730,988) | Electricity | 9,978,162 | (15,387,722) | (5,409,560) |
| 5,792,229 | (3,574,137) | 2,218,092 | Water Distribution | 7,780,743 | (8,899,696) | (1,118,953) |
| - | - | - | Dam Water | - | - | - |
| - | - | - | Municipal Staff Housing | (338) | - | (338) |
| 119,280,684 | (115,378,763) | 3,901,921 | Sub Total | 122,313,359 | (114,440,645) | 7,872,715 |
| | - | - | Internal Charges | | - | - |
| 119,280,684 | (115,378,763) | 3,901,921 | Total | 122,313,359 | (114,440,645) | 7,872,715 |

**APPENDIX C - Unaudited**

**UBUNTU LOCAL MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

| 2014 Actual Income R | 2014 Actual Expenditure R | 2014 Surplus/ (Deficit) R | | 2015 Actual Income R | 2015 Actual Expenditure R | 2015 Surplus/ (Deficit) R |
|---|---|---|---|---|---|---|
| 308,376 | (5,720,838) | (5,412,462) | Executive & Council | 518,303 | (5,798,001) | (5,279,698) |
| 26,600,176 | (16,745,081) | 9,855,095 | Budget & Treasury | 34,530,268 | (12,159,608) | 22,370,661 |
| 17,432,133 | (13,311,362) | 4,120,771 | Planning & Development | 15,010,977 | (11,160,190) | 3,850,787 |
| - | - | - | Health | - | - | - |
| 54,216,271 | (55,870,008) | (1,653,737) | Community & Social Services | 50,007,539 | (51,091,693) | (1,084,154) |
| - | - | - | Housing | - | - | - |
| - | (50,270) | (50,270) | Public Safety | 42,466 | (17,474) | 24,993 |
| 100,197 | (750) | 99,447 | Sport & Recreation | 2,624 | - | 2,624 |
| - | - | - | Environmental Protection | - | - | - |
| 3,524,057 | (6,068,085) | (2,544,028) | Waste Management | 4,442,277 | (9,926,261) | (5,483,984) |
| - | - | - | Waste Water Management | - | - | - |
| - | - | - | Road Transport | - | - | - |
| 5,792,229 | (3,574,137) | 2,218,092 | Water | 7,780,743 | (8,899,696) | (1,118,953) |
| 11,307,244 | (14,038,232) | (2,730,988) | Electricity | 9,978,162 | (15,387,722) | (5,409,560) |
| 119,280,684 | (115,378,763) | 3,901,921 | **Total** | 122,313,359 | (114,440,645) | 7,872,714 |

**APPENDIX D - Unaudited**
**UBUNTU LOCAL MUNICIPALITY**
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

| Grant Description | Balance 1 JULY 2014 | Grants Received | Transfers | Paid back to NT | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Balance 30 JUNE 2015 |
|---|---|---|---|---|---|---|---|
| **UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS** | R | R | R | R | R | R | R |
| **National Government Grants** | | | | | | | |
| Equitable Share | - | 21,614,000 | - | - | 21,614,000 | - | - |
| Local Government Financial Management Grant | - | 1,800,000 | - | - | 1,800,000 | - | - |
| Municipal Infrastructure Grant | 5,957,699 | 9,655,000 | 0 | (4,446,000) | 482,750 | 10,442,094 | 241,854 |
| - General MIG Fund | - | 9,655,000 | (9,655,000) | (4,446,000) | - | - | (4,446,000) |
| - Eradication of Buckets | 3,431,982 | - | 4,263,763 | - | - | 8,547,072 | (851,327) |
| - Project Roads Victoria West | 2,332,603 | - | 3,791,237 | - | 482,750 | 1,302,399 | 4,338,691 |
| - Victoria West Cemetery | 193,114 | - | - | - | - | 592,623 | (399,510) |
| - Installation of High Masts Lights | - | - | 1,600,000 | - | - | - | 1,600,000 |
| Municipal Systems Improvement Grant | - | 934,000 | - | - | 934,000 | - | - |
| National Electrification Programme (INEP) | 464,187 | 1,500,000 | - | - | - | 1,297,429 | 666,757 |
| Expanded Public Works Program (EPWP) | 221,793 | 1,000,000 | - | - | 1,000,000 | 522,272 | (300,479) |
| Department of Water Affairs | (31,067) | - | - | - | - | - | (31,067) |
| - Installation of Bulkmeters | (31,067) | - | - | - | - | - | (31,067) |
| Skills Development Fund | - | 15,588 | - | - | 15,588 | - | - |
| **Total National Government Grants** | 6,612,611 | 36,518,588 | 0 | (4,446,000) | 25,846,338 | 12,261,794 | 577,065 |
| **Provincial Government Grants** | | | | | | | |
| Project Library | 212,164 | 854,000 | - | - | 675,147 | - | 391,017 |
| Department of Human Settlements (Services 36 Erven Loxton) | 351,314 | - | - | - | 46,221 | - | 305,093 |
| Project Housing Victoria West | (400,500) | 3,337,798 | - | | - | 2,821,743 | 115,555 |
| **Total Provincial Government Grants** | 162,978 | 4,191,798 | - | - | 721,368 | 2,821,743 | 811,665 |
| **District Municipality Grants** | | | | | | | |
| Upgrading of Sportsgrounds | (6,654) | - | - | - | - | - | (6,654) |
| **Total District Municipality Grants** | (6,654) | - | - | - | - | - | (6,654) |
| **Other Grant Providers** | | | | | | | |
| Project Survey of Land | 1,248 | - | - | - | - | - | 1,248 |
| Incentive Grant Gochsta | - | 567,190 | - | - | 106,355 | - | 460,835 |
| River Project Richmond | - | 90,787 | - | - | 88,960 | - | 1,827 |
| Project Water Loxton | 88,739 | - | - | - | - | - | 88,739 |
| Solid Waste Site Victoria West | 99,012 | - | - | - | - | - | 99,012 |
| **Total Other Grant Providers** | 188,999 | 657,977 | - | - | 195,314 | - | 651,661 |
| **Total** | **6,957,934** | **41,368,362** | **0** | **(4,446,000)** | **26,763,020** | **15,083,537** | **2,033,737** |

APPENDIX E (1) - Unaudited
UBUNTU LOCAL MUNICIPALITY

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
SUMMERY

**Reconciliation of Table A1 Budget Summary**

| Description | 2014/2015 | | | | | | | | | | 2013/14 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousands | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | 1st Adjusted Budget | Special Adjustments / Unforeseen & Unavoidable | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | 1 | 2 | 3 | | | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| **Financial Performance** | | | | | | | | | | | | | | |
| Property rates | 7,757 | – | 7,757 | – | 7,757 | 6,002 | | (1,754) | 77.4% | 77.4% | | | | 2,442 |
| Service charges | 24,780 | – | 24,780 | – | 24,780 | 20,359 | | (4,420) | 82.2% | 82.2% | | | | 18,438 |
| Investment revenue | 388 | – | 388 | – | 388 | 249 | | (139) | 64.1% | 64.1% | | | | 189 |
| Transfers recognised - operational | 26,240 | – | 26,240 | – | 26,240 | 26,763 | | 523 | 102.0% | 102.0% | | | | 30,115 |
| Other own revenue | 26,275 | – | 26,275 | – | 26,275 | 53,856 | | 27,581 | 205.0% | 205.0% | | | | 56,027 |
| **Total Revenue (excluding capital transfers and contributions)** | **85,439** | **–** | **85,439** | **–** | **85,439** | **107,230** | | **21,791** | **125.5%** | **125.5%** | | | | **107,211** |
| Employee costs | 31,909 | – | 31,909 | – | 31,909 | 26,777 | – | (5,132) | 83.9% | 83.9% | – | – | – | 24,732 |
| Remuneration of councillors | 2,906 | – | 2,906 | – | 2,906 | 2,520 | – | (386) | 86.7% | 86.7% | – | – | – | 2,359 |
| Debt impairment | 3,930 | – | 3,930 | – | 3,930 | 45,477 | 41,548 | 41,548 | 1157.3% | 1157.3% | – | – | – | 44,826 |
| Depreciation & asset impairment | 6,395 | – | 6,395 | – | 6,395 | 6,116 | – | (279) | 95.6% | 95.6% | – | – | – | 5,949 |
| Finance charges | 769 | – | 769 | – | 769 | 1,909 | 1,140 | 1,140 | 248.1% | 248.1% | – | – | – | 900 |
| Materials and bulk purchases | 10,715 | – | 10,715 | – | 10,715 | 13,557 | 2,842 | 2,842 | 126.5% | 126.5% | – | – | – | 12,783 |
| Transfers and grants | 4,029 | – | 4,029 | – | 4,029 | 4,509 | 480 | 480 | 111.9% | 111.9% | – | – | – | 6,850 |
| Other expenditure | 27,258 | – | 27,258 | – | 27,258 | 13,575 | – | (13,683) | 49.8% | 49.8% | – | – | – | 16,580 |
| **Total Expenditure** | **97,911** | **–** | **97,911** | **–** | **97,911** | **114,441** | **46,009** | **26,530** | **130.2%** | **130.2%** | **–** | **–** | **–** | **115,379** |
| **Surplus/(Deficit)** | **(2,471)** | **–** | **(2,471)** | **–** | **(2,471)** | **(7,211)** | | **(4,739)** | **291.8%** | **291.8%** | | | | **(8,168)** |
| Transfers recognised - capital | 11,155 | – | 11,155 | – | 11,155 | 15,084 | | 3,929 | 135.2% | 135.2% | | | | 12,070 |
| Discontinued Operations | – | – | – | – | – | – | | – | | | | | | – |
| Contributions recognised - capital & contributed assets | – | – | – | – | – | – | | – | | | | | | – |
| **Surplus/(Deficit) after capital transfers & contributions** | **8,684** | **–** | **8,684** | **–** | **8,684** | **7,873** | | **(811)** | **90.7%** | **90.7%** | | | | **3,902** |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | – | | – | | | | | | – |
| **Surplus/(Deficit) for the year** | **8,684** | **–** | **8,684** | **–** | **8,684** | **7,873** | | **(811)** | **90.7%** | **90.7%** | | | | **3,902** |
| **Capital expenditure & funds sources** | | | | | | | | | | | | | | |
| **Capital expenditure** | | | | | | | | | | | | | | |
| Transfers recognised - capital | 11,155 | – | 11,155 | – | 11,155 | – | | (11,155) | | | | | | 12,070 |
| Public contributions & donations | – | – | – | – | – | – | | – | | | | | | – |
| Borrowing | – | – | – | – | – | – | | – | | | | | | – |
| Internally generated funds | – | – | – | – | – | – | | – | | | | | | 443 |
| **Total sources of capital funds** | **11,155** | **–** | **11,155** | **–** | **11,155** | **–** | | **(11,155)** | | | | | | **12,512** |
| **Cash flows** | | | | | | | | | | | | | | |
| Net cash from (used) operating | 18,119 | – | 18,119 | – | 18,119 | 11,824 | | (6,295) | 65.3% | 65.3% | | | | 12,180 |
| Net cash from (used) investing | (11,110) | – | (11,110) | – | (11,110) | (10,830) | | 280 | 97.5% | 97.5% | | | | (12,354) |
| Net cash from (used) financing | (456) | – | (456) | – | (456) | (460) | | (4) | 100.9% | 100.9% | | | | 999 |
| **Cash/cash equivalents at the year end** | **9,571** | **–** | **9,571** | **–** | **9,571** | **338** | | **(9,235)** | **3.5%** | **3.5%** | | | | **(198)** |

APPENDIX E (2) - Unaudited
UBUNTU LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

| Description | 2014/2015 | | | | | | | | 2013/2014 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Special Adjustments / Unforeseen & Unavoidable | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | 1 | 2 | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Revenue - Standard | | | | | | | | | | | | | |
| *Governance and administration* | 35,928 | - | | 35,928 | 35,068 | | (860) | 97.6% | 97.6% | | | | 26,992 |
| Executive and council | 18 | - | - | 18 | 518 | | 500 | 2818.9% | 2818.9% | | | | 1 |
| Budget and treasury office | 35,367 | - | - | 35,367 | 34,530 | | (837) | 97.6% | 97.6% | | | | 26,600 |
| Corporate services | 543 | - | - | 543 | 19 | | (523) | 3.5% | 3.5% | | | | 391 |
| *Community and public safety* | 842 | - | - | 842 | 50,069 | | 49,228 | 5949.3% | 5949.3% | | | | 672 |
| Community and social services | 824 | - | - | 824 | 50,024 | | 49,200 | 6070.9% | 6070.9% | | | | 572 |
| Sport and recreation | 5 | - | - | 5 | 3 | | (2) | 52.5% | 52.5% | | | | 100 |
| Public safety | 2 | - | - | 2 | 42 | | 40 | 2123.3% | 2123.3% | | | | - |
| Housing | - | - | - | - | - | | - | | | | | | - |
| Health | 11 | - | - | 11 | - | | (11) | | | | | | - |
| *Economic and environmental services* | 34,935 | - | - | 34,935 | 14,975 | | (19,960) | 42.9% | 42.9% | | | | 70,977 |
| Planning and development | 12,279 | - | - | 12,279 | 14,975 | | 2,696 | 122.0% | 122.0% | | | | 17,432 |
| Road transport | 22,656 | - | - | 22,656 | - | | (22,656) | - | - | | | | 53,545 |
| Environmental protection | - | - | - | - | - | | - | | | | | | - |
| *Trading services* | 24,872 | - | - | 24,872 | 22,201 | | (2,671) | 89.3% | 89.3% | | | | 20,623 |
| Electricity | 11,648 | - | - | 11,648 | 9,978 | | (1,670) | 85.7% | 85.7% | | | | 11,307 |
| Water | 6,485 | - | - | 6,485 | 7,781 | | 1,296 | 120.0% | 120.0% | | | | 5,792 |
| Waste water management | 3,908 | - | - | 3,908 | - | | (3,908) | - | - | | | | 1,505 |
| Waste management | 3,431 | - | - | 3,431 | 4,442 | | 1,011 | 129.5% | 129.5% | | | | 2,019 |
| *Other* | 17 | - | - | 17 | - | | (17) | - | - | | | | 9 |
| Total Revenue - Standard | 96,594 | - | - | 96,594 | 122,313 | | 25,719 | 126.6% | 126.6% | | | | 119,274 |
| Expenditure - Standard | | | | | | | | | | | | | |
| *Governance and administration* | 28,509 | - | - | 28,509 | 22,220 | 471 | (6,289) | 77.9% | 77.9% | - | - | - | 26,648 |
| Executive and council | 5,327 | - | - | 5,327 | 5,798 | 471 | 471 | 108.8% | 108.8% | - | - | - | 5,528 |
| Budget and treasury office | 16,750 | - | - | 16,750 | 12,160 | - | (4,590) | 72.6% | 72.6% | - | - | - | 16,745 |
| Corporate services | 6,432 | - | - | 6,432 | 4,262 | - | (2,170) | 66.3% | 66.3% | - | - | - | 4,374 |
| *Community and public safety* | 1,723 | - | - | 1,723 | 46,847 | 45,250 | 45,124 | 2719.0% | 2719.0% | - | - | - | 988 |
| Community and social services | 1,579 | - | - | 1,579 | 46,829 | 45,250 | 45,250 | 2965.9% | 2965.9% | - | - | - | 937 |
| Sport and recreation | 11 | - | - | 11 | - | - | (11) | - | - | - | - | - | 1 |
| Public safety | 133 | - | - | 133 | 17 | - | (116) | 13.1% | 13.1% | - | - | - | 50 |
| Housing | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Health | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Economic and environmental services* | 30,627 | - | - | 30,627 | 11,180 | 1,246 | (19,447) | 36.4% | 36.4% | - | - | - | 63,423 |
| Planning and development | 7,312 | - | - | 7,312 | 8,557 | 1,246 | 1,246 | 117.0% | 117.0% | - | - | - | 10,674 |
| Road transport | 23,316 | - | - | 23,316 | 2,603 | - | (20,713) | 11.2% | 11.2% | - | - | - | 52,748 |
| Environmental protection | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Trading services* | 27,027 | - | - | 27,027 | 34,214 | 11,769 | 7,187 | 126.6% | 126.6% | - | - | - | 23,689 |
| Electricity | 13,250 | - | - | 13,250 | 10,368 | 2,138 | 2,138 | 115.1% | 115.1% | - | - | - | 14,038 |
| Water | 4,160 | - | - | 4,160 | 8,960 | 4,799 | 4,799 | 215.9% | 215.9% | - | - | - | 3,574 |
| Waste water management | 4,582 | - | - | 4,582 | - | - | (4,582) | - | - | - | - | - | 3,830 |
| Waste management | 5,035 | - | - | 5,035 | 9,886 | 4,831 | 4,831 | 197.1% | 197.1% | - | - | - | 2,236 |
| *Other* | 24 | - | - | 24 | - | (24) | (24) | - | - | - | - | - | 634 |
| Total Expenditure - Standard | 87,911 | - | - | 87,911 | 114,441 | 58,711 | 26,530 | 130.2% | 130.2% | - | - | - | 115,372 |
| Surplus/(Deficit) for the year | 8,684 | - | - | 8,684 | 7,873 | - | (811) | 90.7% | 90.7% | - | - | - | 3,902 |

APPENDIX E (3) - Unaudited

UBUNTU LOCAL MUNICIPALITY

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

**Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

| Vote Description | 2014/2015 | | | | | | | | 2013/2014 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Special Adjustments / Unforseen & Unavoidable | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | 1 | 2 | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Revenue by Vote | | | | | | | | | | | | | |
| Vote 1 - Budget & Treasury | 35,367 | – | – | 35,367 | 34,530 | | (837) | 97.6% | 97.6% | | | | 26,992 |
| Vote 2 - Community & Social Services | 23,597 | – | – | 23,597 | 50,008 | | 26,410 | 211.9% | 211.9% | | | | 581 |
| Vote 3 - Electricity | 11,648 | – | – | 11,648 | 9,978 | | (1,670) | 85.7% | 85.7% | | | | 11,307 |
| Vote 4 - Executive & Council | 458 | – | – | 458 | 518 | | 61 | 113.2% | 113.2% | | | | 1 |
| Vote 5 - Health | 11 | – | – | 11 | – | | (11) | - | - | | | | – |
| Vote 6 - Planning & Development | 12,282 | – | – | 12,282 | 15,011 | | 2,729 | 122.2% | 122.2% | | | | 70,977 |
| Vote 7 - Public Safety | 2 | – | – | 2 | 42 | | 40 | 2123.3% | 2123.3% | | | | – |
| Vote 8 - Sport & Recreation | 5 | – | – | 5 | 3 | | (2) | 52.5% | 52.5% | | | | 100 |
| Vote 9 - Waste Management | 6,739 | – | – | 6,739 | 4,442 | | (2,297) | 65.9% | 65.9% | | | | 3,524 |
| Vote 10 - Water | 6,485 | – | – | 6,485 | 7,781 | | 1,296 | 120.0% | 120.0% | | | | 5,792 |
| | | | | – | | | – | - | - | | | | |
| Total Revenue by Vote | 96,594 | – | – | 96,594 | 122,313 | | 25,719 | 126.6% | 126.6% | | | | 119,274 |
| Expenditure by Vote *to be appropriated* | | | | | | | | | | | | | |
| Vote 1 - Budget & Treasury | 16,750 | – | – | 16,750 | 12,160 | – | (4,590) | 72.6% | 72.6% | – | – | – | 21,120 |
| Vote 2 - Community & Social Services | 27,168 | – | – | 27,168 | 51,092 | 23,924 | 23,924 | 188.1% | 188.1% | – | – | – | 1,570 |
| Vote 3 - Electricity | 13,250 | – | – | 13,250 | 15,388 | 2,138 | 2,138 | 116.1% | 116.1% | – | – | – | 14,038 |
| Vote 4 - Executive & Council | 5,595 | – | – | 5,595 | 5,798 | 203 | 203 | 103.6% | 103.6% | – | – | – | 5,528 |
| Vote 5 - Health | – | – | – | – | – | – | – | - | - | – | – | – | – |
| Vote 6 - Planning & Development | 11,226 | – | – | 11,226 | 11,160 | – | (66) | 99.4% | 99.4% | – | – | – | 63,423 |
| Vote 7 - Public Safety | 133 | – | – | 133 | 17 | – | (116) | 13.1% | 13.1% | | | – | 50 |
| Vote 8 - Sport & Recreation | 11 | – | – | 11 | – | – | (11) | - | - | | | – | 1 |
| Vote 9 - Waste Management | 9,617 | – | – | 9,617 | 9,928 | 309 | 309 | 103.2% | 103.2% | | | – | 6,068 |
| Vote 10 - Water | 4,160 | – | – | 4,160 | 8,900 | 4,739 | 4,739 | 213.9% | 213.9% | | | – | 3,574 |
| | | | | – | | | – | - | - | | | – | |
| Total Expenditure by Vote | 87,911 | – | – | 87,911 | 114,441 | 31,313 | 26,530 | 130.2% | 130.2% | – | – | – | 115,372 |
| Surplus/(Deficit) for the year | 8,684 | – | – | 8,684 | 7,873 | | (811) | 90.7% | 90.7% | | | | 3,902 |

APPENDIX E (4) - Unaudited
UBUNTU LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE

**Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description | 2014/2015 | | | | | | | | | 2013/2014 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Original Budget | Budget Adjustments (i to MFMA s28) | Special Adjustments / Unforeseen & Unavoidable | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | 1 | 2 | | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Revenue By Source | | | | | | | | | | | | | |
| Property rates | 7,757 | – | – | 7,757 | 6,002 | | (1,754) | 77.4% | 77.4% | | | | 2,442 |
| Property rates - penalties & collection charges | – | – | – | – | – | | – | | | | | | – |
| Service charges - electricity revenue | 11,579 | – | – | 11,579 | 8,643 | | (2,937) | 74.6% | 74.6% | | | | 9,130 |
| Service charges - water revenue | 6,465 | – | – | 6,465 | 7,779 | | 1,314 | 120.3% | 120.3% | | | | 5,786 |
| Service charges - sanitation revenue | 3,906 | – | – | 3,906 | 1,791 | | (1,513) | 54.2% | 54.2% | | | | 1,504 |
| Service charges - refuse revenue | 3,431 | – | – | 3,431 | 2,146 | | (1,285) | 62.6% | 62.6% | | | | 2,019 |
| Service charges - other | – | – | – | – | – | | – | | | | | | – |
| Rental of facilities and equipment | 658 | – | – | 658 | 334 | | (323) | 50.8% | 50.8% | | | | 438 |
| Interest earned - external investments | 388 | – | – | 388 | 249 | | (139) | 64.1% | 64.1% | | | | 189 |
| Interest earned - outstanding debtors | 2,200 | – | – | 2,200 | 2,653 | | 453 | 120.6% | 120.6% | | | | 1,782 |
| Dividends received | – | – | – | – | – | | – | | | | | | – |
| Fines | 21,504 | – | – | 21,504 | 48,398 | | 26,894 | 225.1% | 225.1% | | | | 52,474 |
| Licenses and permits | 1,063 | – | – | 1,063 | 784 | | (279) | 73.8% | 73.8% | | | | 938 |
| Agency services | 15 | – | – | 15 | 5 | | (10) | 33.0% | 33.0% | | | | 13 |
| Transfers recognised - operational | 29,240 | – | – | 29,240 | 29,763 | | 523 | 102.0% | 102.0% | | | | 30,115 |
| Other revenue | 750 | – | – | 750 | 1,555 | | 805 | 209.4% | 209.4% | | | | 332 |
| Gains on disposal of PPE | 45 | – | – | 45 | 27 | | (18) | 58.9% | 58.9% | | | | – |
| Total Revenue (excluding capital transfers and contributions) | 85,439 | – | – | 85,439 | 107,230 | | 21,791 | 125.5% | 125.5% | | | | 107,211 |
| Expenditure By Type | | | | | | | | | | | | | |
| Employee related costs | 31,509 | – | – | 31,909 | 26,777 | – | (5,132) | 83.9% | 83.9% | – | – | – | 24,732 |
| Remuneration of councillors | 2,906 | – | – | 2,906 | 2,520 | – | (386) | 86.7% | 86.7% | – | – | – | 2,359 |
| Debt impairment | 3,930 | – | – | 3,930 | 45,477 | 41,548 | 41,548 | 1157.3% | 1157.3% | – | – | – | 44,826 |
| Depreciation & asset impairment | 6,395 | – | – | 6,395 | 6,116 | – | (279) | 95.6% | 95.6% | – | – | – | 5,949 |
| Finance charges | 769 | – | – | 769 | 1,909 | 1,140 | 1,140 | 248.1% | 248.1% | – | – | – | 900 |
| Bulk purchases | 10,715 | – | – | 10,715 | 13,557 | 2,842 | 2,842 | 126.5% | 126.5% | – | – | – | 12,783 |
| Other materials | – | – | – | – | – | – | – | | | – | – | – | – |
| Contracted services | 14,005 | – | – | 14,005 | 4,627 | – | (9,378) | 33.0% | 33.0% | – | – | – | 7,142 |
| Transfers and grants | 4,009 | – | – | 4,009 | 4,509 | 480 | 480 | 111.9% | 111.9% | – | – | – | 6,850 |
| Other expenditure | 13,251 | – | – | 13,251 | 8,948 | – | (4,304) | 67.5% | 67.5% | – | – | – | 9,186 |
| Loss on disposal of PPE | 1 | – | – | 1 | – | – | (1) | | | – | – | – | 653 |
| Total Expenditure | 87,911 | – | – | 87,911 | 114,441 | 46,009 | 26,530 | 130.2% | 130.2% | – | – | – | 115,379 |
| Surplus/(Deficit) | (2,471) | – | | (2,471) | (7,211) | | (4,739) | 291.8% | 291.8% | | | | (8,168) |
| Transfers recognised - capital | 11,155 | – | – | 11,155 | 15,084 | | 3,929 | 135.2% | 135.2% | | | | 12,070 |
| Discontinued Operations | – | – | – | – | – | | | | | | | | |
| Contributions recognised - capital | – | – | – | – | – | | – | | | | | | – |
| Contributed assets | – | – | – | – | – | | – | | | | | | – |
| Surplus/(Deficit) after capital transfers & contributions | 8,684 | – | – | 8,684 | 7,873 | | (811) | 90.7% | 90.7% | | | | 3,902 |
| Taxation | – | – | – | – | – | | – | | | | | | – |
| Surplus/(Deficit) after taxation | 8,684 | – | – | 8,684 | 7,873 | | (811) | 90.7% | 90.7% | | | | 3,902 |
| Attributable to minorities | – | – | – | – | – | | – | | | | | | – |
| Surplus/(Deficit) attributable to municipality | 8,684 | – | – | 8,684 | 7,873 | | (811) | 90.7% | 90.7% | | | | 3,902 |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | | – | | | | | | – |
| Surplus/(Deficit) for the year | 8,684 | – | – | 8,684 | 7,873 | | (811) | 90.7% | 90.7% | | | | 3,902 |

APPENDIX E (5) - Unaudited
UBUNTU LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

**Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

| Vote Description | 2014/2015 | | | | | | | | 2013/2014 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | Original Budget | Total Budget Adjustments (i.e MFMA s28) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| **Capital expenditure - Vote** | | | | | | | | | | | | |
| **Multi-year expenditure** | | | | | | | | | | | | |
| Vote 1 - Budget & Treasury | - | - | - | - | - | - | | | - | - | - | - |
| Vote 2 - Community & Social Services | - | - | - | - | - | - | | | - | - | - | - |
| Vote 3 - Electricity | - | - | - | - | - | - | | | - | - | - | - |
| Vote 4 - Executive & Council | - | - | - | - | - | - | | | - | - | - | - |
| Vote 5 - Health | - | - | - | - | - | - | | | - | - | - | - |
| Vote 6 - Planning & Development | - | - | - | - | - | - | | | - | - | - | - |
| Vote 7 - Public Safety | - | - | - | - | - | - | | | - | - | - | - |
| Vote 8 - Sport & Recreation | - | - | - | - | - | - | | | - | - | - | - |
| Vote 9 - Waste Management | - | - | - | - | - | - | | | - | - | - | - |
| Vote 10 - Water | - | - | - | - | - | - | | | - | - | - | - |
| Capital multi-year expenditure | - | - | - | - | - | - | | | - | - | - | - |
| **Single-year expenditure** | | | | | | | | | | | | |
| Vote 1 - Budget & Treasury | - | - | - | - | - | - | | | - | - | - | 48 |
| Vote 2 - Community & Social Services | - | - | - | - | - | - | | | - | - | - | 933 |
| Vote 3 - Electricity | - | - | - | - | - | - | | | - | - | - | 1,905 |
| Vote 4 - Executive & Council | - | - | - | - | - | - | | | - | - | - | 6 |
| Vote 5 - Health | - | - | - | - | - | - | | | - | - | - | - |
| Vote 6 - Planning & Development | 1,500 | - | 1,500 | 780 | - | (720) | 52% | 52% | - | - | - | 8,913 |
| Vote 7 - Public Safety | - | - | - | - | - | - | | | - | - | - | - |
| Vote 8 - Sport & Recreation | - | - | - | - | - | - | | | - | - | - | 83 |
| Vote 9 - Waste Management | 9,655 | - | 9,655 | 10,460 | 805 | 805 | 108% | 108% | - | - | - | 620 |
| Vote 10 - Water | - | - | - | - | - | - | | | - | - | - | - |
| Capital single-year expenditure | 11,155 | - | 11,155 | 11,241 | 805 | 86 | 101% | 101% | - | - | - | 12,512 |
| **Total Capital Expenditure - Vote** | 11,155 | - | 11,155 | 11,241 | 805 | 86 | 101% | 101% | - | - | - | 12,512 |
| **Capital Expenditure - Standard** | | | | | | | | | | | | |
| Governance and administration | - | - | - | - | - | - | | | - | - | - | 54 |
| Executive and council | - | - | - | - | - | - | | | - | - | - | 6 |
| Budget and treasury office | - | - | - | - | - | - | | | - | - | - | 48 |
| Corporate services | - | - | - | - | - | - | | | - | - | - | - |
| Community and public safety | - | - | - | - | - | - | | | - | - | - | 1,021 |
| Community and social services | - | - | - | - | - | - | | | - | - | - | 933 |
| Sport and recreation | - | - | - | - | - | - | | | - | - | - | 88 |
| Public safety | - | - | - | - | - | - | | | - | - | - | - |
| Housing | - | - | - | - | - | - | | | - | - | - | - |
| Health | - | - | - | - | - | - | | | - | - | - | - |
| Economic and environmental services | 9,655 | - | 9,655 | - | - | (9,655) | | | - | - | - | 8,913 |
| Planning and development | 9,655 | - | 9,655 | - | - | (9,655) | | | - | - | - | 8,913 |
| Road transport | - | - | - | - | - | - | | | - | - | - | - |
| Environmental protection | - | - | - | - | - | - | | | - | - | - | - |
| Trading services | 1,500 | - | 1,500 | - | - | (1,500) | | | - | - | - | 2,525 |
| Electricity | 1,500 | - | 1,500 | - | - | (1,500) | | | - | - | - | 1,905 |
| Water | - | - | - | - | - | - | | | - | - | - | - |
| Waste water management | - | - | - | - | - | - | | | - | - | - | 620 |
| Waste management | - | - | - | - | - | - | | | - | - | - | - |
| Other | - | - | - | - | - | - | | | - | - | - | - |
| **Total Capital Expenditure - Standard** | 11,155 | - | 11,155 | - | - | (11,155) | | | - | - | - | 12,512 |
| **Funded by:** | | | | | | | | | | | | |
| National Government | 11,155 | - | 11,155 | - | | (11,155) | | | | | | 11,686 |
| Provincial Government | - | - | - | - | | - | | | | | | 299 |
| District Municipality | - | - | - | - | | - | | | | | | 88 |
| Other transfers and grants | - | - | - | - | | - | | | | | | - |
| Transfers recognised - capital | 11,155 | - | 11,155 | - | | (11,155) | | | | | | 12,073 |
| Public contributions & donations | - | - | - | - | | - | | | | | | - |
| Borrowing | - | - | - | - | | - | | | | | | - |
| Internally generated funds | - | - | - | - | | - | | | | | | 443 |
| **Total Capital Funding** | 11,155 | - | 11,155 | - | | (11,155) | | | | | | 12,512 |

APPENDIX E (6) - Unaudited

UBUNTU LOCAL MUNICIPALITY

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CASH FLOWS

Reconciliation of Table A7 Budgeted Cash Flows

| Description | 2014/2015 | | | | | | | 2013/2014 |
|---|---|---|---|---|---|---|---|---|
| R thousand | Original Budget | Budget Adjustments (i.t.o. s28) | Final adjustments budget | Actual Outcome | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Ratepayers and other | 52,940 | - | 52,940 | 18,587 | (34,353) | 35.1% | 35.1% | 24,433 |
| Government - operating | 26,240 | - | 26,240 | 41,368 | 15,129 | 157.7% | 157.7% | 30,058 |
| Government - capital | 11,155 | - | 11,155 | 2,902 | (8,253) | 26.0% | 26.0% | 19,254 |
| Interest | 2,588 | - | 2,588 | - | (2,588) | - | - | 1,972 |
| Dividends | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | |
| Suppliers and employees | (70,005) | - | (70,005) | (49,124) | 20,881 | 70.2% | 70.2% | (62,441) |
| Finance charges | (769) | - | (769) | (1,909) | (1,140) | 248.1% | 248.1% | (900) |
| Transfers and Grants | (4,029) | - | (4,029) | - | 4,029 | - | - | (195) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 18,119 | - | 18,119 | 11,824 | (6,295) | 65.3% | 65.3% | 12,180 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Proceeds on disposal of PPE | 45 | - | 45 | 27 | (19) | 58.9% | 58.9% | 204 |
| Decrease (Increase) in non-current debtors | - | - | - | - | - | - | - | - |
| Decrease (increase) other non-current receivables | - | - | - | 432 | 432 | #DIV/0! | #DIV/0! | (274) |
| Decrease (increase) in non-current investments | - | - | - | (97) | (97) | #DIV/0! | #DIV/0! | (68) |
| Payments | | | | | | | | |
| Capital assets | (11,155) | - | (11,155) | (11,191) | (36) | 100.3% | 100.3% | (12,196) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (11,110) | - | (11,110) | (10,830) | 280 | 97.5% | 97.5% | (12,354) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Short term loans | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | - | - | - | - | - | - | - | 867 |
| Increase (decrease) in consumer deposits | 13 | - | 13 | 12 | (1) | 91.0% | 91.0% | 14 |
| Payments | | | | | | | | |
| Repayment of borrowing | (469) | - | (469) | (471) | (3) | 100.7% | 100.7% | (482) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (456) | - | (456) | (460) | (4) | 100.9% | 100.9% | 399 |
| NET INCREASE/ (DECREASE) IN CASH HELD | 6,554 | - | 6,554 | 535 | | | | 225 |
| Cash/cash equivalents at the year begin: | 3,017 | - | 3,017 | (198) | | | | (423) |
| Cash/cash equivalents at the year end: | 9,571 | - | 9,571 | 336 | (9,235) | 3.5% | 3.5% | (198) |